DOME PETROLEUM LIMITED 1980 ANNUAL REPORT

HEAD OFFICE

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AUDITORS

Clarkson Gordon
Calgary, Alberta

STOCK LISTINGS

Toronto Stock Exchange
Montreal Stock Exchange
American Stock Exchange (common shares only)
London Stock Exchange (common shares only)

REGISTRARS AND TRANSFER AGENTS

Common Shares:

Canada Permanent Trust Company
Calgary, Montreal, Toronto and Regina

The Bank of New York
New York, N.Y.

Preferred Shares Series A and B:

National Trust Company, Limited
Calgary, Montreal, Toronto and Vancouver

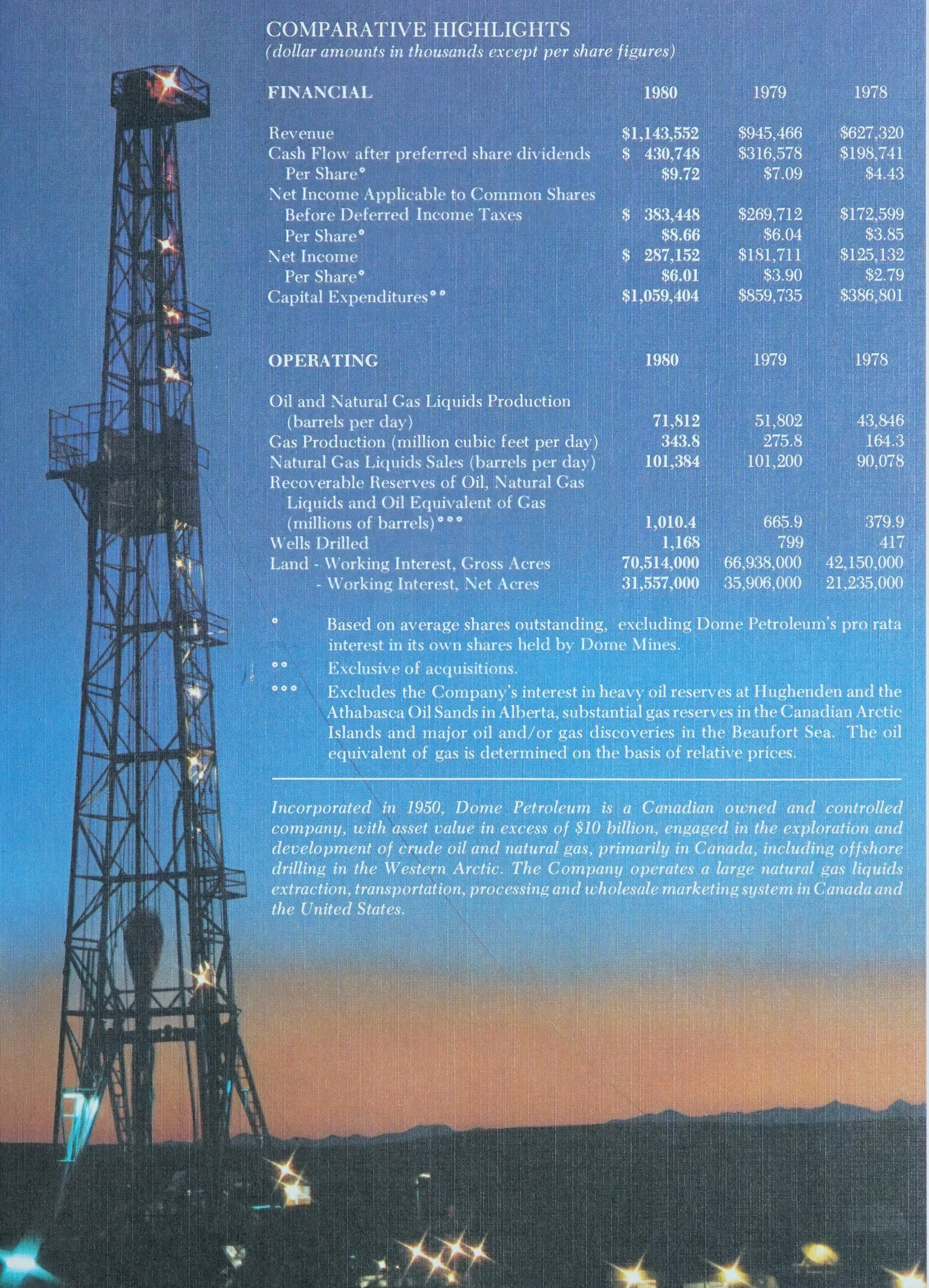
FRONT COVER: Drilling rig Dome et al Limestone in the Rocky Mountain foothills, 70 miles northwest of Calgary, site of an indicated gas discovery in 1980.

ANNUAL MEETING

The Annual and Special General Meeting of the Shareholders will be held in Commerce Hall on the Concourse Level of Commerce Court West, Bay Street and King Street, Toronto, Ontario, on May 8, 1981 at 2:00 p.m. A formal notice of meeting and proxy form are enclosed with this report.

Please return your proxy if you are unable to attend the meeting. The proxy may be revoked if you subsequently decide to attend the meeting.

CONTENTS



COMPARATIVE HIGHLIGHTS

(dollar amounts in thousands except per share figures)

FINANCIAL	1980	1979	1978
Revenue	**$1,143,552**	$945,466	$627,320
Cash Flow after preferred share dividends	**$ 430,748**	$316,578	$198,741
Per Share*	**$9.72**	$7.09	$4.43
Net Income Applicable to Common Shares			
Before Deferred Income Taxes	**$ 383,448**	$269,712	$172,599
Per Share*	**$8.66**	$6.04	$3.85
Net Income	**$ 287,152**	$181,711	$125,132
Per Share*	**$6.01**	$3.90	$2.79
Capital Expenditures**	**$1,059,404**	$859,735	$386,801

OPERATING	1980	1979	1978
Oil and Natural Gas Liquids Production (barrels per day)	**71,812**	51,802	43,846
Gas Production (million cubic feet per day)	**343.8**	275.8	164.3
Natural Gas Liquids Sales (barrels per day)	**101,384**	101,200	90,078
Recoverable Reserves of Oil, Natural Gas Liquids and Oil Equivalent of Gas (millions of barrels)***	**1,010.4**	665.9	379.9
Wells Drilled	**1,168**	799	417
Land - Working Interest, Gross Acres	**70,514,000**	66,938,000	42,150,000
- Working Interest, Net Acres	**31,557,000**	35,906,000	21,235,000

* Based on average shares outstanding, excluding Dome Petroleum's pro rata interest in its own shares held by Dome Mines.

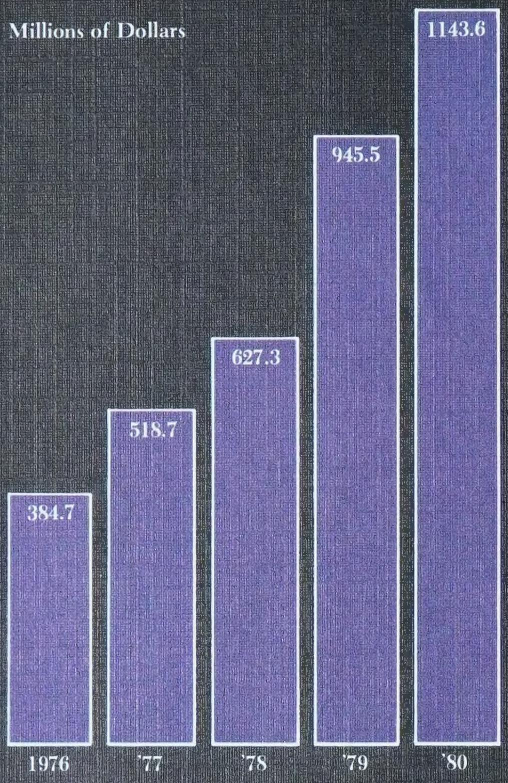
** Exclusive of acquisitions.

*** Excludes the Company's interest in heavy oil reserves at Hughenden and the Athabasca Oil Sands in Alberta, substantial gas reserves in the Canadian Arctic Islands and major oil and/or gas discoveries in the Beaufort Sea. The oil equivalent of gas is determined on the basis of relative prices.

Incorporated in 1950, Dome Petroleum is a Canadian owned and controlled company, with asset value in excess of $10 billion, engaged in the exploration and development of crude oil and natural gas, primarily in Canada, including offshore drilling in the Western Arctic. The Company operates a large natural gas liquids extraction, transportation, processing and wholesale marketing system in Canada and the United States.

REVENUE

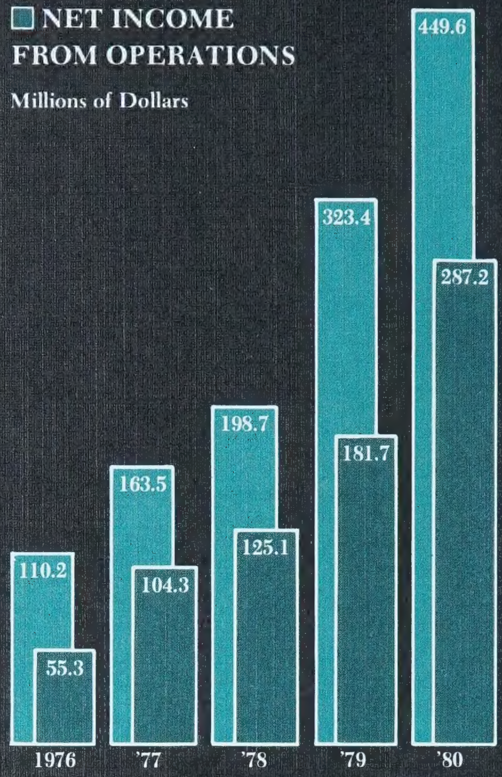
Millions of Dollars



REVENUE INCREASED 21% IN 1980 TO $1,143,552,000

CASH FLOW & NET INCOME FROM OPERATIONS

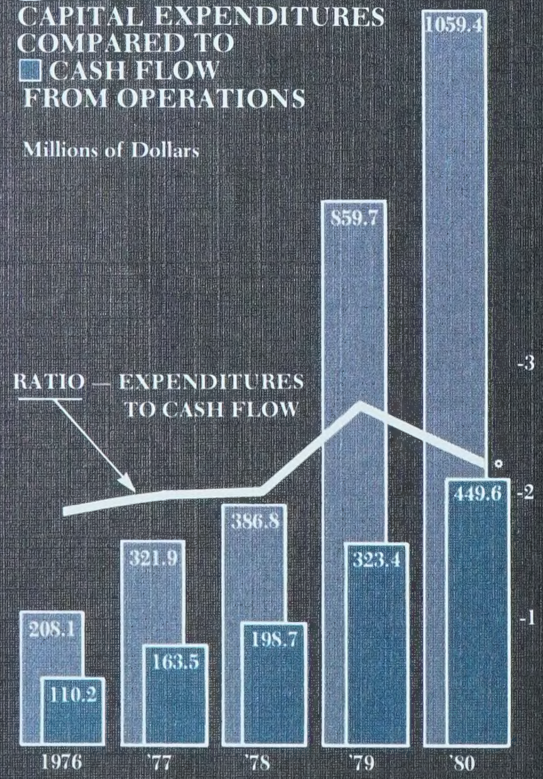
Millions of Dollars



SUBSTANTIAL CAPITAL INVESTMENT IN PRIOR YEARS CONTRIBUTED TO A 58% INCREASE IN NET INCOME IN 1980 TO $6.01 PER SHARE AND A 39% INCREASE IN CASH FLOW TO $10.15 PER SHARE

EXPLORATION & CAPITAL EXPENDITURES COMPARED TO CASH FLOW FROM OPERATIONS

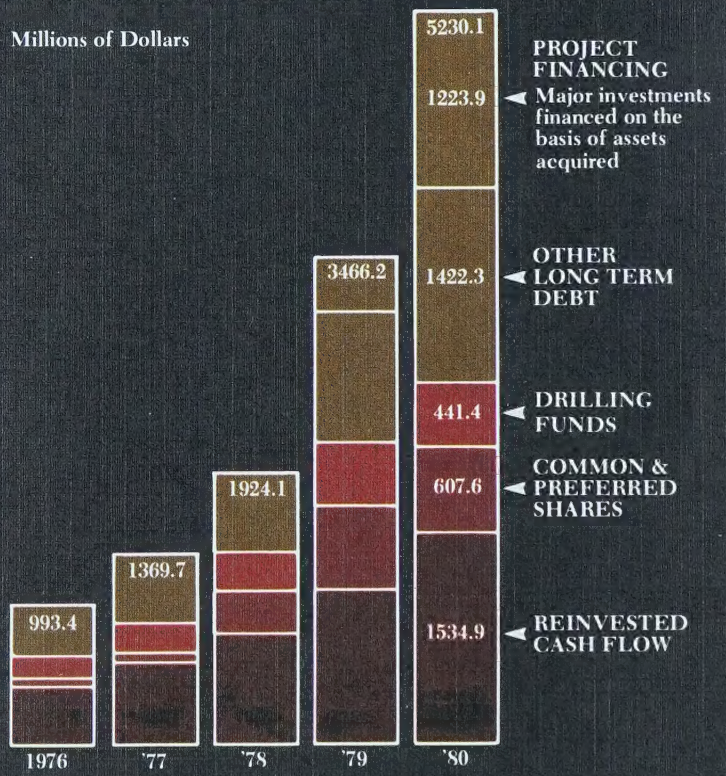
Millions of Dollars



° 1980 EXPENDITURES, EXCLUSIVE OF CORPORATE ACQUISITIONS, WERE 2.4 TIMES CASH FLOW.

CUMULATIVE FINANCING

Millions of Dollars



1980 DEBT TO "EQUITY" RATIO - 51%-49%

REPORT OF THE DIRECTORS

The Company enjoyed a high level of growth in 1980 as reflected by the substantial increases in net income, cash flow and production. These improvements are a result of capital investments made over the past several years.

In the budget of October 28, 1980, the Government of Canada introduced its National Energy Program. This program provided for substantially increased taxes together with a policy of increasing the Canadian ownership of the Canadian oil and gas industry. This objective is to be accomplished primarily through the introduction of substantial exploration grants available to companies with a high Canadian ownership rate.

This material change in the fiscal regime affecting the oil industry could have had a drastically adverse impact upon the Company.

Dome, however, has made significant adaptations to the new program which are more fully described in the body of this report. As a result of these changes, the Company will be able to proceed with its exploration program and anticipates continued growth.

The following summarizes the results of the Company's 1980 operations.

Capital Expenditures (excluding corporate acquisitions) increased to $1,059 million in 1980 from $860 million in 1979.

Production of oil, natural gas liquids and oil equivalent of gas averaged 128,056 barrels per day (bpd) in 1980, compared to 90,940 bpd in 1979.

Natural Gas Liquids sales for 1980 were approximately level with 1979's at 101,384 bpd, maintaining Dome's position as the largest natural gas liquids producer and marketer in Canada.

Reserves of oil, natural gas liquids and oil equivalent of gas increased to 1,010 million barrels in 1980 from 665,867,000 in 1979, after producing 36,049,000 barrels in 1980. This total excludes tar sand oil, certain heavy oil reserves and all oil and gas reserves in the Beaufort Sea and Arctic Islands.

Oil and Gas Rights held by the Company amounted to 70,514,000 gross acres (31,557,000 net acres) in 1980, compared to 66,938,000 gross acres (35,906,000 net acres) in 1979. Oil and gas rights in the Provincial areas of Canada amounted to 23,646,000 gross acres (10,164,000 net acres) in 1980, compared to 19,556,000 gross acres (12,262,000 net acres). Oil and gas rights in the United States increased to 2,527,000 gross acres (1,471,000 net acres) from 1,613,000 gross acres (749,000 net acres).

Exploration and Development drilling programs during 1980 in Canada and the United States included 412 gross exploratory wells (206 net wells) and 756 gross development wells (384 net wells). Exploratory drilling increased 17% and resulted in the completion of 83 oil wells and 178 gas wells for a 63% success ratio.

Arctic Islands exploration continued in 1980 with promising work under way at two exploratory wells, Skate B-80 and MacLean I-72, northeast of Lougheed Island. Panarctic Oils, as operator, announced March 10, 1981, an oil discovery at Skate with a flow rate of 775 bpd. Dome's interest in adjoining lands which comprise 2/3 of the structure includes a 25% working interest, a 12% preferred net carried interest and a 2-5/8% overriding royalty, equivalent to at least 50% of the economic value.

In addition, Dome owns indirectly through Panarctic Oils an approximate 9% interest in 45 million acres on which over 16 trillion cubic feet (tcf) of gas reserves have been discovered.

Panarctic has estimated total marketable gas reserves of 2.4 tcf at Whitefish, one of the most significant discoveries in the Arctic Islands to date. Dome has an interest in a number of comparable geological structures on adjoining permit blocks totalling in excess of five million acres.

Beaufort Sea exploratory drilling operations in 1980 encountered the severest ice conditions yet experienced. Nevertheless, 44,000 feet of drilling was completed at five drillsites, almost comparable to the previous year's drilling.

Tarsiut A-25 was production tested at rates up to 800 bpd on a restrictive choke and could constitute a major reservoir. Located in shallow water, with a producing horizon at 5,000 feet, this discovery could be developed relatively early.

Artificial islands were started at two future drillsites. The most prospective oil and gas sections at several drillsites should be penetrated and tested in 1981.

JAPANESE LOAN

In early 1981, Dome completed arrangements for a $400 million exploration loan with the Japan National Oil Company to be expended on exploration in the Beaufort Sea. The principal and interest on this loan are recoverable out of 20% of the operating income from three fields in the Beaufort Sea. If the loan is not repaid by the year 2030, the principal only is repayable at that time.

THE NATIONAL ENERGY PROGRAM AND DOME CANADA

As part of its new budget, the Government of Canada on October 28, 1980 announced its National Energy Program.

There are a number of negative factors in the National Energy Program including the wellhead revenue tax and excise tax on natural gas and natural gas liquids. These new taxes will affect the cash flows of all oil companies operating in Canada.

It is hoped that current Provincial and Federal Government negotiations will result in a modification of these new taxes or a reduction of royalty or an increase in price, or a combination of these, so that the producer's share will be increased sufficiently to encourage a major exploration effort.

The Company has endeavored to take advantage of the positive features in the National Energy Program, specifically the exploration incentives in both Federal and Provincial areas, which are available to companies with at least 65% Canadian ownership.

As a result, a new company, Dome Canada, was formed, with Canadian ownership in excess of 75%, thereby qualifying the new company for the maximum level of exploration grants which amount to 80¢ per exploration dollar spent on Federal lands and 35¢ per exploration dollar spent on Provincial lands.

On March 2, 1981, Dome Canada successfully completed a $434 million (net of commission) share issue to the Canadian public representing a 52% interest in the company. The remaining 48% was taken up by Dome Petroleum by the transfer of approximately 10,307,000 shares of TransCanada PipeLines plus $150 million in cash. Dome Canada will therefore commence operations with an initial capitalization of $1,060 million, including $225 of the $400 million loan from the Japan National Oil Company.

A farmout arrangement was entered into from Dome Petroleum to Dome Canada under the terms of which Dome Canada has the right to earn an interest in Dome Petroleum's Canadian exploratory lands by drilling exploratory wells.

Dome Petroleum will benefit from this new company, not only through its 48% equity ownership, but also by Dome Canada's major expenditures to be made on Dome Petroleum's Canadian oil and gas leases and permits.

Canada's proved recoverable reserves of tar sands oil, heavy oil and highly potential conventional oil are sufficient to provide over 300 years' supply.

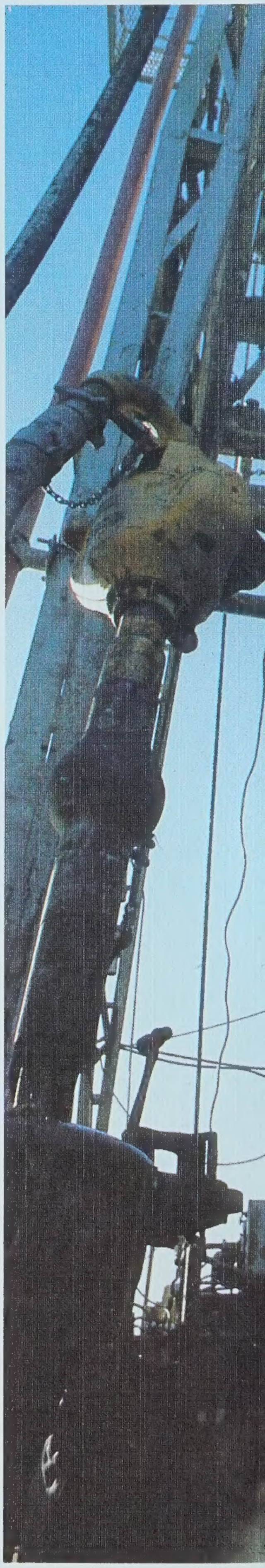
We are confident that the political difficulties that are currently restricting the exploration effort in Canada will be resolved and your Company will be able to continue to play a prominent role in the development of crude oil self-sufficiency for North America.

On behalf of the Board of Directors, we wish to thank our dedicated and resourceful staff for their continuing outstanding service to the Company.

J.P. GALLAGHER
Chairman

W.E. RICHARDS
President

April 16, 1981



EXPLORATION AND DEVELOPMENT REVIEW

EXPLORATION

In terms of footage and numbers of wells drilled, the Company set new exploratory drilling records in 1980.

As one of Canada's most active exploration companies, Dome drilled a total of 1,995,000 feet of hole in Dome interest wells in Canada during 1980, compared to 1,770,000 feet in 1979. The 1980 footage represented 11.7% of the total industry exploratory footage drilled in Canada during the year.

The Company participated in the drilling of 1,168 gross wells (590 net wells) during 1980, compared with 799 gross (364 net wells) in 1979.

WESTERN CANADA

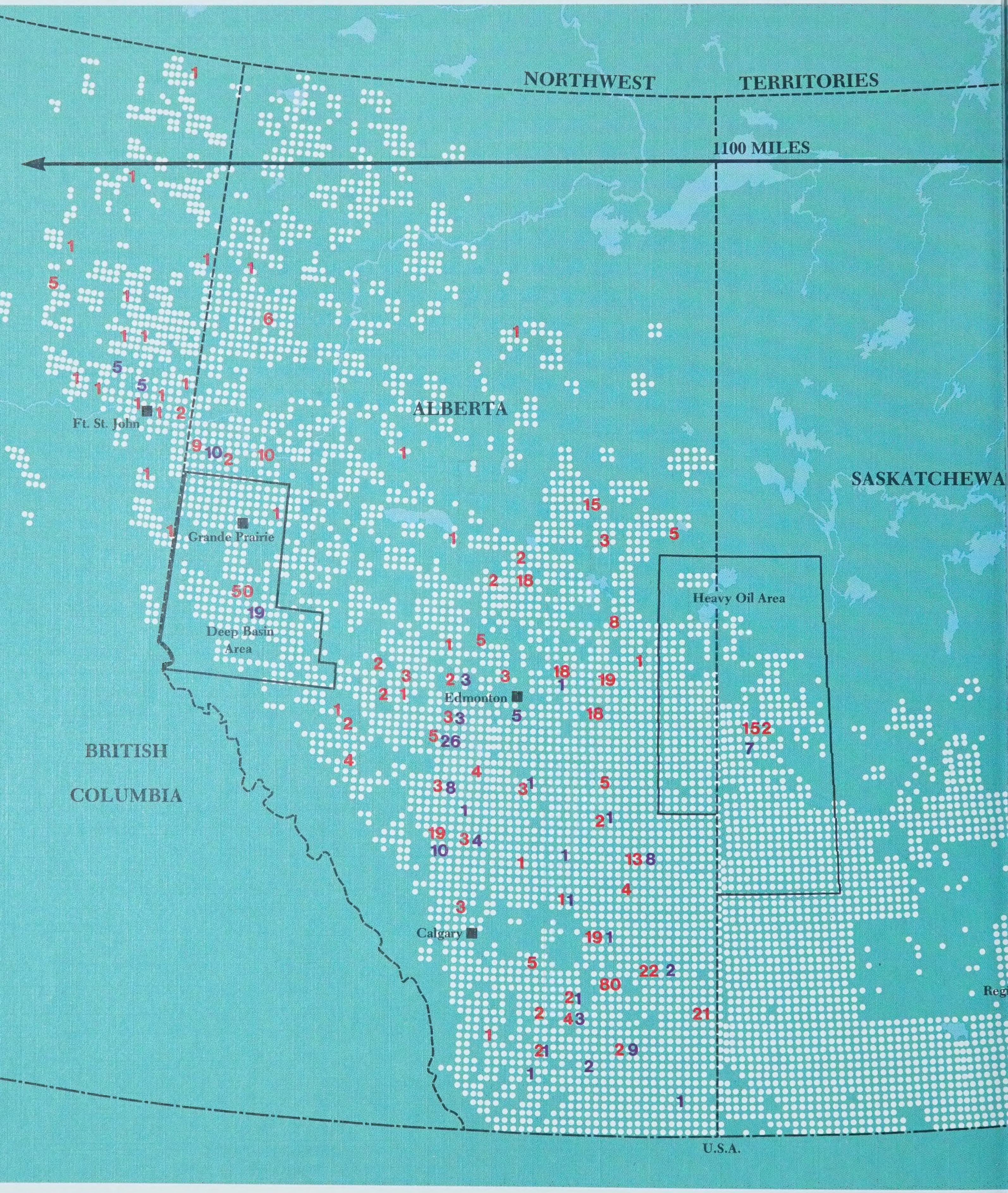
The drilling of 320 gross exploratory wells by the Company resulted in 60 oil and 172 gas discoveries in 1980. In addition, 92 exploratory wells were drilled at no cost to Dome as a result of farmout agreements with other companies. These resulted in six oil and 42 gas discoveries.

(Note - a discovery is commonly defined as a successful well which encounters a new producing zone or is more than 1-1/2 miles from a known producing well.)

The more significant areas of activity included:

In the Deep Basin area, immediately east of the Foothills in west central Alberta, a number of encour-

Rig floor action during exploratory drilling operations in the Deep Basin area of west central Alberta.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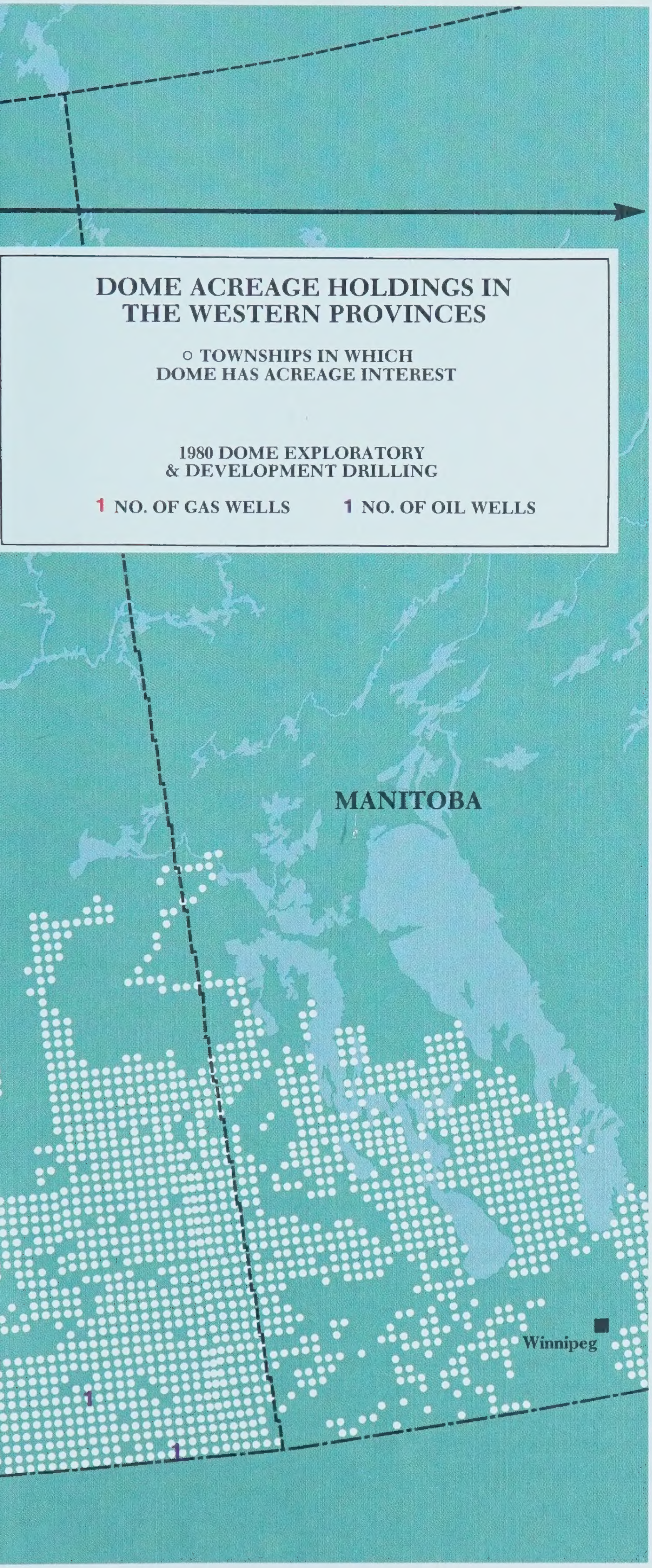
TERRITORIES
1100 MILES
ALBERTA
SASKATCHEWA
Ft. St. John
Grande Prairie
Deep Basin
Area
Heavy Oil Area
Edmonton
BRITISH
COLUMBIA
Calgary
Reg
U.S.A.



aging oil and gas discoveries were made in 1980. Among them were:

- Kakwa-Cutbank - 16 exploratory gas wells were completed in this area during the year. Dome's interests range up to 75% in 500,200 gross acres (307,400 net acres).
- Lator - Exploration drilling in which Dome was a participant resulted in one oil and three gas discoveries. The Company has interests varying from 25% to 75% in 150,000 gross acres (95,000 net acres).
- Gold Creek - The drilling of five exploratory wells resulted in four gas discoveries. The Company's interests in 106,560 gross acres (26,804 net acres) range up to 33%.

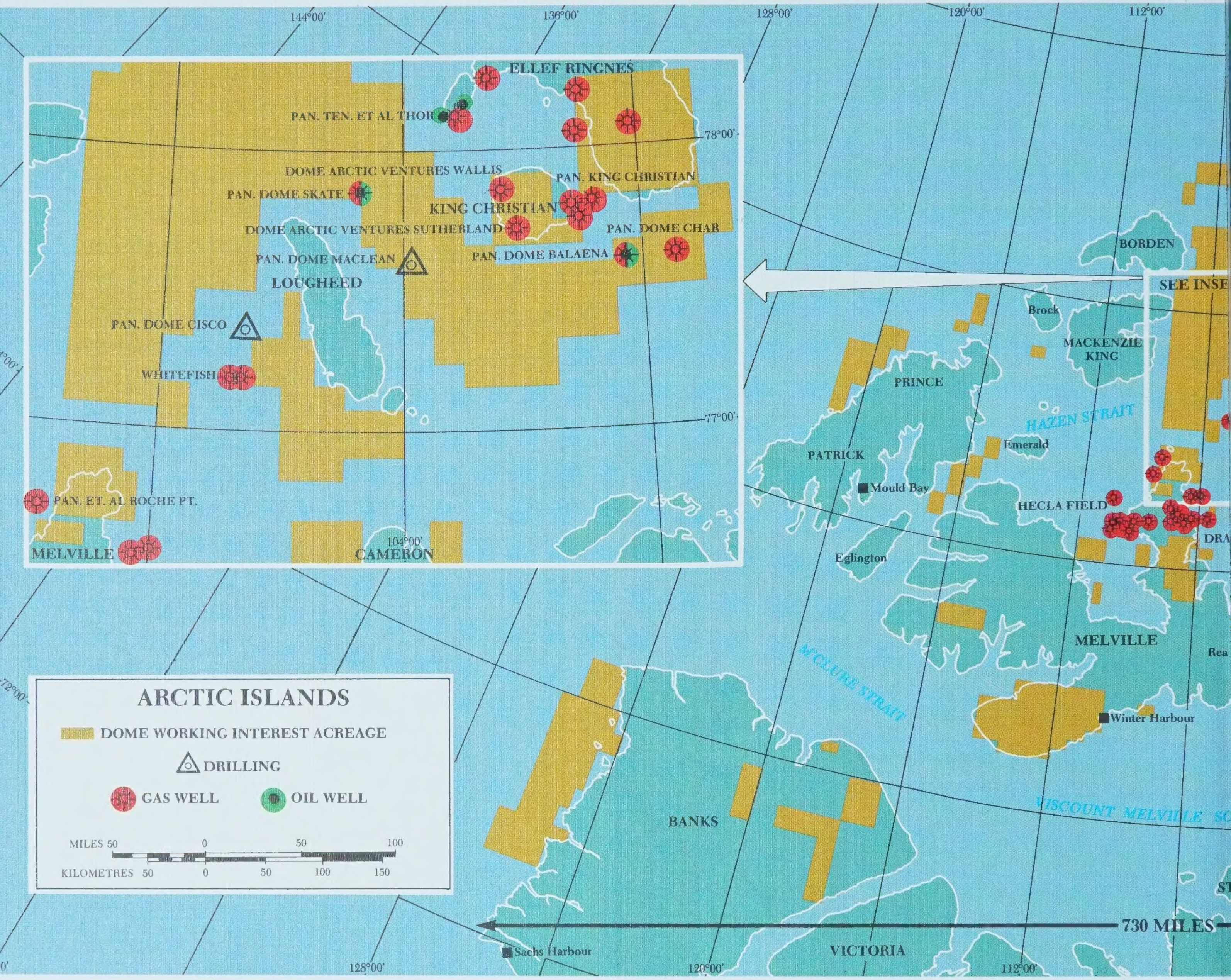
At Henderson Creek-Pouce Coupe, on the British Columbia border, north of the Deep Basin, the drilling of 15 exploratory wells resulted in five oil wells and six gas wells. Dome's interests range up to 75% in 106,700 gross acres (53,158 net acres).

At Caroline, about 60 miles northwest of Calgary, an active drilling program led to 14 gas discoveries. The Company has varying interests to 100% in 101,440 gross acres (80,000 net acres).

At Enchant-Little Bow, about 75 miles southeast of Calgary, a five-well drilling program resulted in one oil discovery and three gas discoveries. Dome's interests range up to 100% in 32,640 gross acres (11,990 net acres).

At Stolbert-Peco-Hanlan, about 90 miles southwest of Edmonton, the Company participated in the drilling of three gas discoveries. The Company's interests in 157,331 gross acres (75,617 net acres) range up to 75%.

At Two Rivers, east of Fort St. John, British Columbia, Dome drilled a major dual zone gas discovery. Three wells were drilled in 1980 and an additional three tests are planned for 1981. The Company has a 75% interest in 20,000 gross acres (15,000 net acres) in this area.



ARCTIC ISLANDS

Dome's acreage holdings in this area at year-end amounted to 16,318,000 gross acres (9,410,000 net acres) in addition to the Company's approximate 9% interest in Panarctic's 45 million gross acres.

Panarctic has estimated total marketable gas reserves of 2.4 tcf at Whitefish, 20 miles west of Lougheed Island. A second well was completed on this structure in early 1980 on what is considered to be one of the most significant discoveries in the Arctic Islands to date. This field is within five miles of Dome interest acreage.

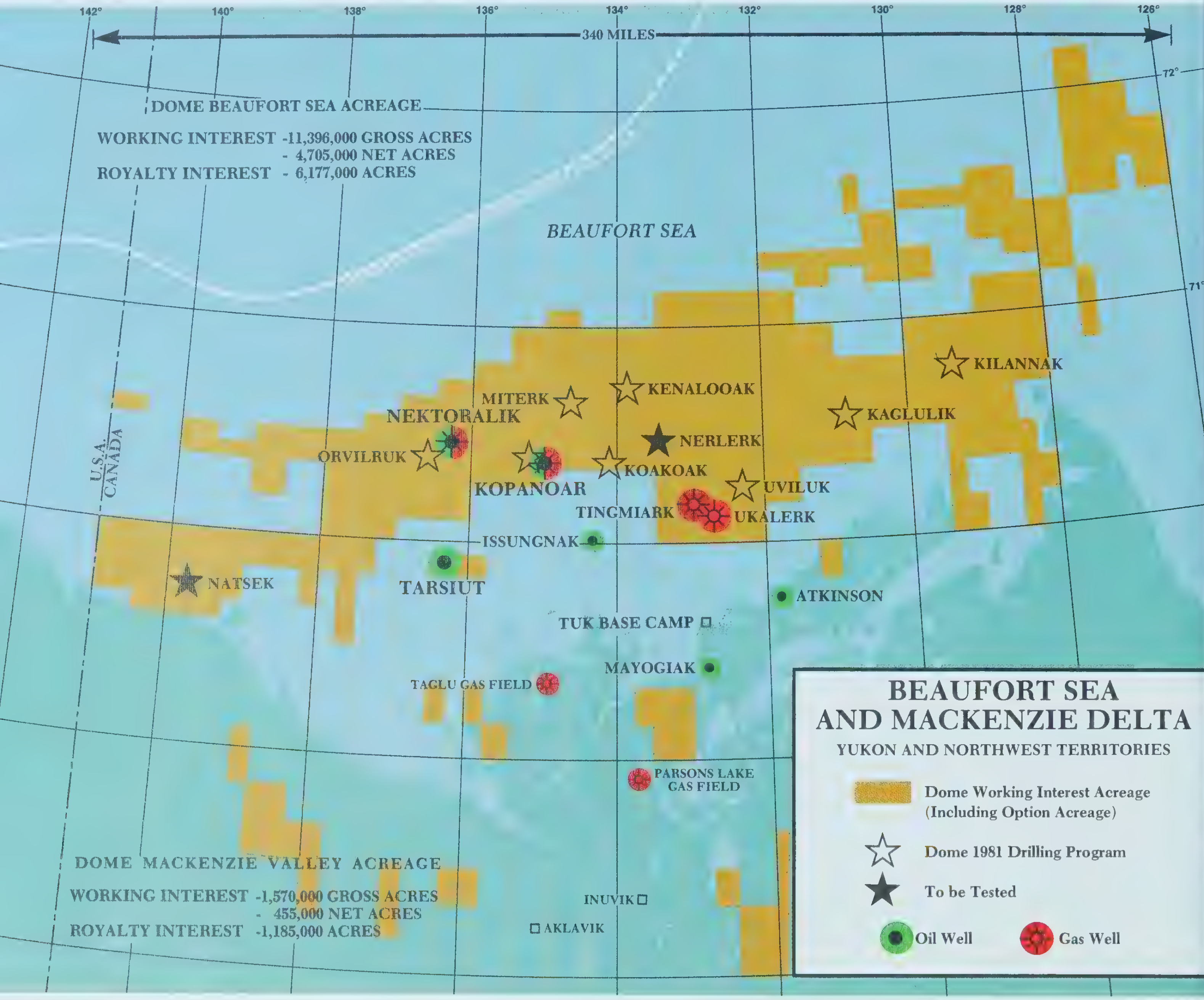
In addition, Panarctic tested non-commercial oil and gas at Balaena and has estimated total marketable gas reserves of 377 bcf at Char. Both Balaena and Char were drilled from ice islands on Dome interest lands 17 miles southeast of King Christian Island during the 1979-80 winter. Dome

Panarctic Oils' Whitefish discovery gas well drilled from an ice platform west of Lougheed Island.

has a 25% working interest, a 12% preferred net carried interest and a 2-5/8% overriding royalty on the reserves at Char.

Dome has a similar interest in a number of comparable geological structures on adjoining permit blocks totalling in excess of five million acres.

The Company participated, during the 1980-81 winter drilling season, in two additional offshore ice island wells: Panarctic Dome Skate B-80 and Panarctic Dome Maclean I-72, 10 miles east of Lougheed Island. Panarctic Oils, as operator, announced March 10, 1981, an oil discovery at Skate with a flow rate of 775 bpd. Dome's interest in adjoining lands which comprise 2/3 of the structure includes a 25% working interest, a 12% preferred net carried interest and a 2-5/8% overriding royalty, equivalent to at least 50% of the economic value.



BEAUFORT SEA EXPLORATION

During the 1980 summer drilling season, Dome participated with other companies in drilling and production testing operations at six locations in the Beaufort Sea. To date, Dome has drilled 12 Beaufort Sea wells which have resulted in three oil discoveries, two gas discoveries and two apparent but untested oil wells. Five wells have been only partially drilled.

Kopanoar 2I-44, a step-out well located 2-1/2 miles northwest of the 1979 Kopanoar discovery well (estimated productive capacity over 12,000 bpd) reached 10,400 feet. This well appears to be about 400 feet above the oil reservoir discovered in 1979. Planned to be drilled to 14,000 feet, the step-out well will be completed and tested in the summer of 1981.

Tarsiut A-25, drilled in 1979, was production tested in 1980 at rates up to 800 bpd on a restrictive choke. The 160-foot oil-bearing zone, at a depth of about 5,000 feet, could constitute a major oil reservoir, as indicated from seismic interpretation.

Water depth at this location is 75 feet. Construction of an artificial island to be used for a step-out delineation well commenced in 1980 and should be completed in the summer of 1981.

Koakoak 0-22, planned to be drilled to 16,000 feet, reached 12,200 feet. Electric logs and core data show reservoir sands with oil and gas indications in the lower part of the hole.

Tuktoyaktuk support base provides accommodations, warehousing, transportation and communications facilities for Dome's Beaufort Sea operations

Conceptual design of exploratory islands under construction at two Beaufort Sea sites, prototypes for future production structures.

Orvilruk 0-3, planned to be drilled to 15,000 feet, reached 11,800 feet.

Both Koakoak and Orvilruk will be deepened and evaluated during the 1981 operating season. Kenalooak 2J-94, planned to be drilled to 16,000 feet, reached 11,200 feet, and Kilannak A-77 reached only 2,300 feet of its ultimate depth of 10,000 feet.

Although substantial drilling was accomplished in the 1980 season, the planned testing program was not completed. The 1981 season should represent the culmination of several years of effort in that at least four highly prospective wells will be tested.

OPERATIONS

Dome's contract drilling operations in the Beaufort Sea are conducted by a wholly-owned subsidiary, Canadian Marine Drilling, which also drills under contract for other companies.

Ice conditions in this fifth season of exploratory drilling on Dome's permit acreage in the Beaufort Sea were the worst experienced by the Company to date. Despite adverse ice conditions, 44,000 feet of drilling was completed at five drillsites, compared with the previous year's drilling of 45,500 feet at seven drillsites.

In addition to the drilling activity, island construction was commenced at two artificial island sites, Tarsiut and Kaglulik. At the end of the 1980 drilling season, two of the world's largest dredges were involved in the island construction project. In addi-

tion, a $6 million sea-floor coring program had been launched to locate the best sea-floor material for island construction.

Dredging operations and breakwater construction in McKinley Bay, the drillships' wintering location 80 miles north of Tuktoyaktuk, were conducted in 1980, and continued expansion is planned to provide a forward supply point for year-round drilling operations.

Canmar Kigoriak, Dome's pioneering icebreaker launched at the close of the 1979 drilling season, performed better than anticipated throughout 1980. The Arctic Class 4 vessel played an important role in supporting drillship operations at both ends of the drilling season when severe ice conditions were experienced.

The Company's ice-reinforced Beaufort Sea fleet and base facilities at Tuktoyaktuk represent an investment in excess of $350 million. The 19-ship fleet includes four drillships, eight icebreaker-supply vessels, the Kigoriak, two dredges and a cargo carrier.

Above Right: Trailer hopper dredge Geopotes X, one of two mammoth dredges involved in Beaufort Sea artificial island construction.

Right: Dome's new icebreaker, Kigoriak, breaking a pressure ridge during historic winter experiments in the Beaufort Sea.

LAND HOLDINGS SUMMARY

	DECEMBER 31, 1980 WORKING INTEREST			DECEMBER 31, 1979 WORKING INTEREST		
AREA	GROSS ACRES	NET ACRES	ROYALTY ACRES	GROSS ACRES	NET ACRES	ROYALTY ACRES
Alberta	16,719,000	6,593,000	8,194,000	14,504,000	8,577,000	1,251,000
British Columbia	2,145,000	654,000	94,000	1,658,000	666,000	131,000
Saskatchewan	3,316,000	2,052,000	141,000	2,576,000	2,258,000	261,000
Manitoba	1,394,000	858,000	1,000	745,000	732,000	—
Ontario	72,000	7,000	—	73,000	29,000	—
Hudson Bay	—	—	15,000	—	—	1,960,000
Arctic Islands	16,318,000	9,410,000	17,444,000	20,432,000	12,948,000	19,690,000
Beaufort Sea	11,396,000	4,705,000	6,177,000	9,217,000	4,483,000	6,321,000
Mackenzie Valley	1,570,000	455,000	1,185,000	1,218,000	484,000	1,185,000
Canadian East Coast	8,717,000	2,059,000	830,000	8,717,000	1,820,000	830,000
Alaska	4,000	—	—	17,000	9,000	—
Other United States	2,523,000	1,471,000	6,000	1,596,000	740,000	6,000
North Sea	732,000	184,000	25,000	577,000	51,000	25,000
Other Foreign	5,608,000	3,109,000	—	5,608,000	3,109,000	—
	70,514,000	31,557,000	34,112,000	66,938,000	35,906,000	31,660,000

UNITED STATES

During 1980, the Company participated in the drilling of 88 gross (40 net) exploratory wells resulting in 23 oil discoveries and six gas discoveries. In addition, the Company drilled 133 gross (66 net) development wells resulting in 42 oil and 57 gas producing wells. Total gross footage drilled amounted to 1,614,468 feet.

- Montana - Dome drilled two significant oil discoveries in the Williston Basin. Three successful development wells have been drilled and six additional wells are planned for 1981. Dome has interests varying from 37.5% to 75% in 7,420 gross acres (3,810 net acres).
- Wyoming - The Company drilled an oil discovery in Unita County. Dome has a 56% interest in the well and a 45% interest in 8,930 acres in the prospect area.
- Oklahoma - In Roger Mills County, the Company participated in drilling a successful gas well. Dome has interests varying from 25% to 80% in 1,280 gross acres (857 net acres).

  Dome is the operator of a gas discovery in Alaine County. The Company has varying interests in 1,676 gross acres (1,182 net acres) in this prospect area.
- North Dakota - The Company has drilled 15 consecutive successful producing oil wells in its development program. Dome is the operator, with interests varying from 25% to 100%. Net production from this field at year-end was 670 bpd.

Dome's production in the United States of oil, natural gas liquids and oil equivalent of gas averaged 5,540 bpd in 1980, compared to 1,352 bpd in 1979. The Company owns a working interest in 638 producing oil and/or gas wells in Montana, North Dakota, Wyoming, Utah, Nebraska, Kansas, New Mexico, Colorado, Oklahoma, Texas and Arkansas.

Dome holdings of oil and gas rights in the United States at year-end amounted to 2,527,000 gross acres (1,471,000 net acres).

DEVELOPMENT

Dome conducted an active development drilling program in 1980, comprising 623 gross wells in Canada (318 net). The program resulted in 228 gross oil wells (145 net) and 306 gross gas wells (128 net). (A development well is a well drilled for oil and gas within 1-1/2 miles of a producing well for the purpose of completing a desired pattern for production.)

Exploratory drilling operations at an elevation of 9,000 feet in Garfield County, Colorado.

CONVENTIONAL OIL

At Grand Forks, in southern Alberta, the Company drilled 11 development wells resulting in nine successful oil wells. Dome has interests varying from 48% to 100% in 78 wells in this general area. Six infill wells will be drilled in 1981.

At Pembina, southwest of Edmonton, a total 21 development oil wells and three gas wells were drilled during 1980. The Company has working interests ranging up to 81% in 283 wells in this area.

At Willesden Green, in central Alberta, a total of 11 development wells were drilled during 1980, resulting in eight oil wells and three gas wells. The Company's interests vary from 50% to 100% in 246 wells in this area.

At Kakwa-Cutbank, in the Deep Basin area, the Company drilled a total of nine oil wells. Dome has varying interests up to 75% in 25 wells in this area.

At Wembley-La Glace, 60 miles west of Grande Prairie, five oil wells were drilled in this portion of the Deep Basin with Dome having interests ranging up to 75% in 26 wells in this area.

At Stoddart, in northeastern British Columbia, Dome participated in drilling five additional oil wells. The Company has an average 35% interest in 19 wells in this area. Central production and gas conservation facilities were placed onstream in the first half of 1980.

An oilwell pump jack in a scenic setting in the Pembina oil field of central Alberta.

NATURAL GAS

At Medicine Hat, in southeastern Alberta, Dome participated in the drilling of 21 gas wells. The Company has interests ranging from 8% to 20% in these wells.

At Bantry-Countess, in southeastern Alberta, Dome participated in the drilling of 76 gas wells. The Company has interests ranging from 10% to 100% in this region.

At Atlee-Jenner, in southeastern Alberta, a total of 22 shallow gas wells were drilled during 1980. Dome has interests ranging from 11% to 95% in this region.

At Willingdon-Ukalta-Bellis-Warwick, in east central Alberta, Dome participated in the drilling of 28 gas wells. The Company has interests ranging from 5% to 100% in this area.

At Valhalla, in the Elmworth area of the Deep Basin, the Company participated in the drilling of eight development gas wells. Construction of a 30 mmcf/d plant was completed and production of 22 mmcf/d started in August. Dome has an average interest of 36% in this area.

At Chinchaga, in northwestern Alberta, construction of a 40 mmcf/d gas plant and gathering system was completed. Dome has a 25% working interest. Production commenced in August and has averaged 20 mmcf/d of natural gas and 1,400 bpd of natural gas liquids.

At Kotaneelee, in the Yukon Territory, Dome participated in the drilling of a significant gas development well. The well encountered gas over an interval of 970 feet with deliverability exceeding 50 mmcf/d. The Company has an approximate 17% interest in 73,038 gross acres (12,561 net acres) in this area.

HEAVY OIL

A total of 216 exploratory and development wells were drilled in various heavy oil areas of Alberta and Saskatchewan. One hundred and seventy-three wells were completed, representing a success ratio of 80%. Dome's average net interest is 57%. The Company holds 594,000 gross acres (446,000 net acres) of prospective heavy oil lands in both provinces, 2/3 of which are in Alberta.

Several interruptions in the marketing of Canadian heavy oil limited total production. Average production during 1980 was 3,962 bpd (2,050 bpd net to Dome).

Approval to conduct an experimental thermal project at Morgan, Alberta, was obtained from the Province of Alberta. For the initial phase, 20 wells were drilled and the gathering and treating facilities constructed. Full expansion is planned pending modification of heavy oil provisions in the National Energy Program.

The Vulcan Gas Plant, 100 miles southeast of Calgary, treats 50 mmcf/d of sour gas to remove carbon dioxide, hydrogen sulfide and condensate from the gas stream prior to sale.

OPERATIONS REVIEW

PRODUCTION AND RESERVES

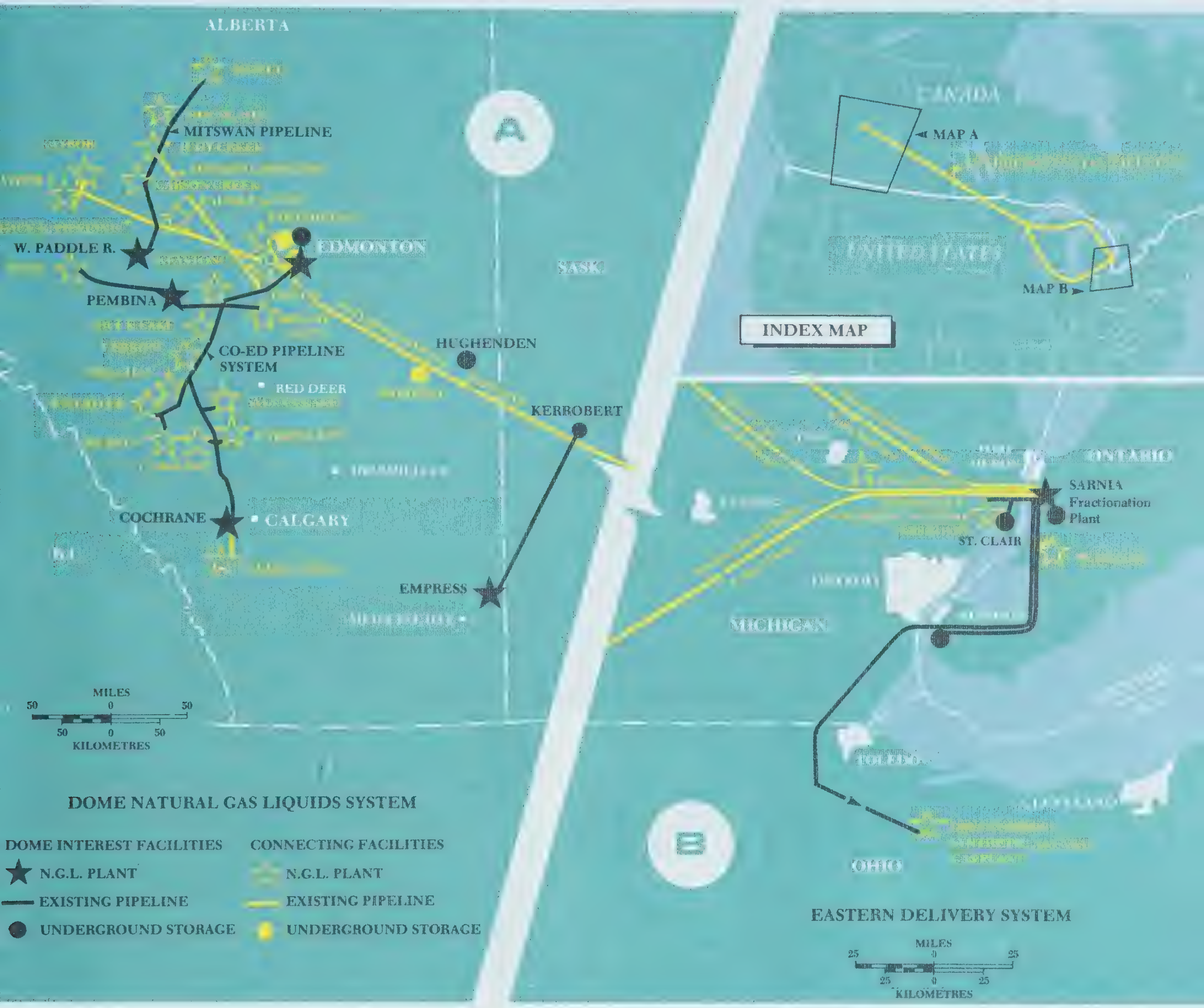
Production of crude oil and natural gas liquids in 1980 was 26,283,000 barrels (71,812 bpd), compared to 18,908,000 barrels (51,802 bpd) in 1979.

Natural gas production in 1980 amounted to 125.8 billion cubic feet (343.8 mmcf/d), compared to 100.6 billion cubic feet (275.8 mmcf/d) produced in 1979.

After deducting 1980 production of 36,049,000 barrels of oil, natural gas liquids and oil equivalent of gas, recoverable reserves at year-end amounted to 1,010 million barrels of crude oil, natural gas liquids and oil equivalent of gas.

Excluded from these reserve totals are substantial gas reserves in the Arctic Islands and certain heavy crude oil reserves in Canada. No allowance has been made for oil and/or gas discoveries in the Beaufort Sea. All reserve figures are stated gross of provincial and federal royalties since it is not practical to project full-life royalty rates, given the numerous and variable factors prevailing in the various jurisdictions.

At December 31, 1980, 1,125,000 gross acres (259,000 net acres) were under oil production and 2,294,000 gross acres (1,044,000 net acres) were under natural gas production.



NATURAL GAS LIQUIDS OPERATIONS

Dome is the largest natural gas liquids (NGL) producer and marketer in Canada. The Company's NGL operations include the large integrated Natural Gas Liquids System, ethane facilities and the Cochin Pipeline System. Dome's daily average sales of NGL in 1980 were approximately level with those of the previous year at 101,384 barrels.

NGL SYSTEM

Dome is the operator and owns varying interests, averaging approximately 50%, in an extensive integrated natural gas liquids processing, transportation, storage and marketing system extending from Alberta to Eastern Canada and the Eastern United States.

Dome's NGL production is primarily derived from plants at Edmonton and Empress in Alberta, in which Dome has interests of 50% and 37% respectively, and from a plant at Cochrane, Alberta where Dome has a 50% interest in the NGL production. These plants are located on major natural gas transmission pipeline systems and extract NGL from natural gas under long term contracts.

Dome transports its production of NGL, together with NGL acquired from other connected plants, through interconnecting pipelines into storage facilities at Edmonton, and at Kerro-

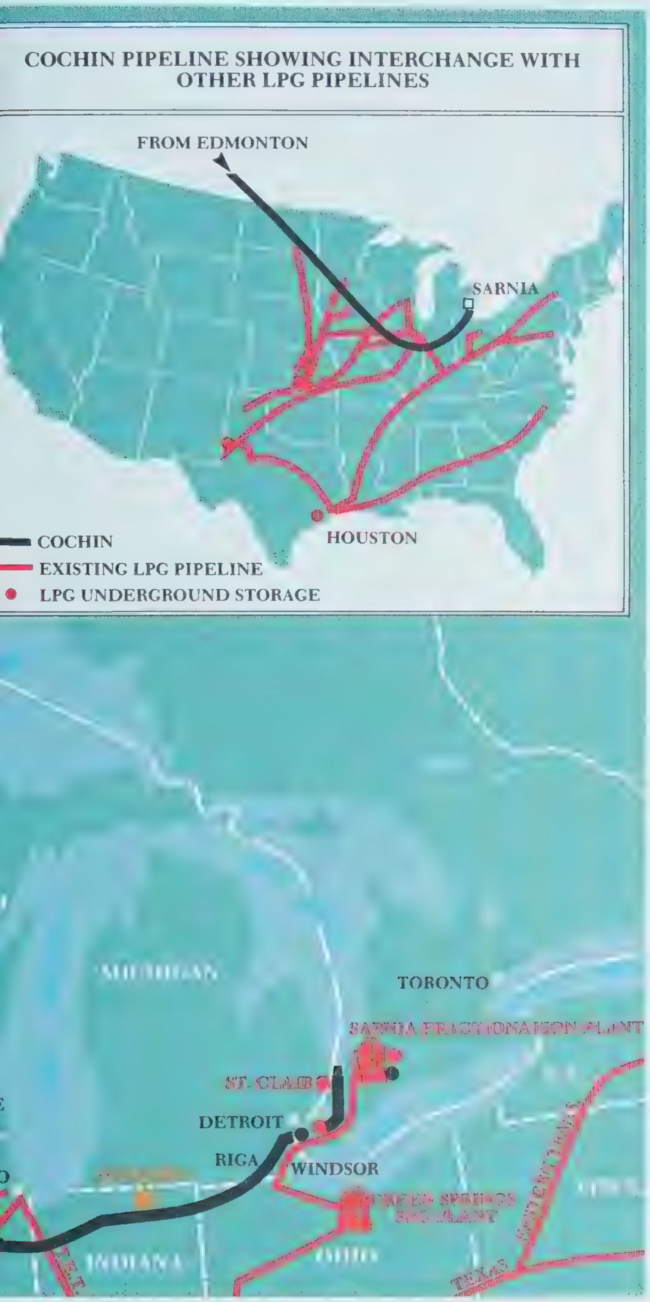
bert, Saskatchewan. From Edmonton and Kerrobert, these NGL's are shipped through Interprovincial Pipe Line to fractionation and storage facilities at Sarnia, Ontario, where liquids are separated into propane, butane, iso-butane and condensate. These NGL products are marketed in Eastern Canada and in the United States.

In October 1980, a major expansion to the Sarnia fractionation plant was completed. With a capacity of 130,000 bpd, the plant is one of the largest fractionation plants in North America. The 30,000 bpd expansion will handle NGL from the Kalkaska area of northern Michigan.

Continued expansion of this plant is under way. A new isomerization plant for making iso-butane out of normal butane is under construction. Completion of this project is expected in the fall of 1981. In addition, an $8 million retro-fit program at Sarnia is under way which will result in a significant reduction in the plant's energy use.

ETHANE FACILITIES AND COCHIN PIPELINE SYSTEM

Dome is the operator and an approximate one-third participant in an Alberta ethane gathering system and a light hydrocarbon products pipeline system to Eastern Canada and the United States. These facilities form an integral part of a $1.5 billion world-scale petrochemical project implemented by a consortium of Nova (formerly Alberta Gas Trunk Line Company), Dow Chemical of Canada and Dome.



Above: Dome's 130,000 bpd plant at Sarnia, Ontario where natural gas liquids originating in Western Canada are fractionated into propane, butane and condensate.

Top: Dome's extraction facilities at Edmonton, Alberta, produce ethane, propane, butane and condensate.

The integrated project consists of:

- five plants which extract ethane from natural gas streams in Alberta (Dome's interest is 50% in a plant at Edmonton and 37% in a plant at Empress). A new ethane supply from the Steelman Saskatchewan plant will be tied into the system in 1981.
- a 530-mile ethane gathering system in Alberta (Dome's interest is 33-1/3%) transporting ethane to a pipeline terminal near Edmonton and to Nova's world-scale ethylene plant in central Alberta.
- the upgrading of ethane into ethylene, the major petrochemical building block from which a host of plastic products can be manufactured (Dome has no participation in this plant).
- the 1,900 mile Cochin Pipeline System (Dome is operator and holds a 32-1/2% interest) transporting ethane and ethylene, surplus to Alberta's requirements, to Eastern Canadian and United States markets. Propane is also shipped through this pipeline to propane distribution terminals in the U.S. Midwest.

Additional storage facilities were put into service at Regina in 1980, increasing the Cochin Pipeline System's capacity by 10,000 bpd.

NEW PROJECTS

LNG EXPORT AND B.C. PETROCHEMICALS

The Company announced in the fourth quarter of 1980 the initiation of two major projects representing an important expansion in the scope of the Company's activities.

The sale of LNG was arranged through Nissho-Iwai Corporation to four Japanese utilities serving more than 45 million gas customers in Japan. One of the terms of the arrangement provides for at least two of the vessels required for this project to be Canadian owned. It is expected that these vessels will be built in Canada and operated by the Company. Discussions are under way with several possible additional partners in this project.

The other project contemplates the extraction of ethane and propane from natural gas in British Columbia to provide feedstock for a 600 million pound per year ethylene plant. The ethylene will be upgraded into secondary and tertiary petrochemical derivatives in plants located on Pacific tidewater. Implementation of this project will be assisted by the sale of natural gas for the Japanese LNG project. The Company's participation in this project will be approximately 50% in the ethane facilities and 27-1/2% in the ethylene and derivative plants.

These projects represent an important industrial benefit to Canada associated with utilization and upgrading of Canadian petroleum hydrocarbons.

ARCTIC PILOT PROJECT

Dome is a 20% participant in the Arctic Pilot Project, an all-Canadian effort operated by Petro Canada, designed to deliver 225 mmcf/d of LNG from the Drake Point and Hecla gas fields on Melville Island and move it to Eastern Canada in icebreaker tankers on a year-round basis. The $1.9 billion project is scheduled to be on stream by 1986.

ALSANDS PROJECT

Dome holds a four percent participation in the Alsands consortium, led by Shell Canada Resources. A production level of 140,000 bpd of synthetic crude is expected when this tar sands mine and upgrading facility near Fort McMurray goes on stream. Difficulties in obtaining satisfactory commercial terms and formal agreements with the Alberta and Federal Governments have delayed start of construction on this mega project.

SEMI-SUBMERSIBLE DRILLING RIG

Dome has proposed to provide offshore drilling services to Sovereign Oil & Gas in connection with Sovereign's North Sea exploration program. Dome owns 23% of Sovereign and provides management (see page 21).

Dome is negotiating for acquisition of a world-class semi-submersible drilling rig with delivery scheduled for early 1983, to provide a complete drilling rig service to Sovereign.

Dome's proposed Western LNG project will have facilities similar to the Chita LNG receiving terminal in Nagoya, Japan.

DOME CANADA

In October 1980, the Government of Canada introduced its budget and National Energy Program. A key provision of the program was the granting of cash incentives for exploration. These incentives increase substantially for companies with a high Canadian ownership.

The Company's response to the Program was the formation in January 1981 of a major new Canadian oil and gas company, Dome Canada Limited. Dome Petroleum also announced its intention to increase significantly its own Canadian Ownership Rate, over the next several years, by encouraging Canadians to purchase Dome Petroleum shares. Both steps are regarded by Dome as a positive response to the Federal Government's policy to encourage increased Canadian ownership of the oil and gas industry.

Dome Canada will carry out Dome Petroleum's exploration in Canada over a minimum three-year term of an agreement between the two companies. Under the agreement, Dome Petroleum will grant the right to Dome Canada to earn an interest in certain of its Canadian exploratory lands in return for the obligation to pay for all exploration, including the drilling of exploratory wells. The amount of land earned will be as follows:

a)In the Provincial areas of Canada, Dome Canada will earn 50% of Dome's interest in lands within a nine-section block surrounding each exploratory well. On average, Dome's interest amounts to 3-1/2 sections per nine-section block.

b)In the Beaufort Sea, the Arctic Islands and other Canada lands, Dome Canada will earn 10% - 50% of Dome's interest in 45,000 acres around each exploratory well depending on the distance from any discovery well. Dome Canada will earn an interest in all current drilling wells except Koakoak 0-22.

Dome Canada and Dome Petroleum plan to conduct a $600 million exploration program during 1981. This vigorous exploration effort should contribute significantly to the national objective of achieving oil self-sufficiency by 1990.

Fifty-two percent of the Dome Canada shares were sold to the Canadian public for $434 million net to Dome Canada. The remaining 48% was subscribed by Dome Petroleum at the same net per share to Dome Canada.

Dome Canada will also receive $225 million remaining from the loan negotiated with the Japan National Oil Company to conduct Beaufort Sea exploration. The company therefore will start operations with a total capitalization of $1,060 million inclusive of the above loan.

As part of Dome Petroleum's payment for Dome Canada shares, Dome Petroleum transferred to Dome Canada one-half of its shares of TransCanada PipeLines Limited (approximately 10,307,000), at the current market price of $251 million.

This transaction also increased TransCanada's Canadian ownership to over 75%, enabling that company to comply with the Government's increased Canadian ownership policies and to participate in the maximum grants available for exploration.

NORTH SEA

With the acquisition in 1979 of a 76% interest in lands formerly held by Siebens Oil & Gas, Dome and its associates acquired an approximate 30% interest in Siebens U.K., a subsidiary with substantial North Sea acreage, including a 4% carried interest in the Brae oilfield. Subsequently, the name of Siebens U.K. was changed to Sovereign Oil & Gas.

In 1980, Sovereign concluded arrangements with subsidiaries of the Dow Chemical Company whereby Dow will farm in to certain acreage and lend £10 million to Sovereign to finance Sovereign's share of exploration on other licenses. This loan will be repayble only out of 25% of Sovereign's net proceeds from the Brae field.

In January 1980, the Minister of State for Energy approved the development and production program for the South Brae field. Facilities are being designed and contracted by the Operator, Marathon Oil U.K., to handle 100,000 bpd of crude oil plus 12,000 bpd of natural gas liquids. Production is anticipated to begin in 1983.

Recently, the U.K. Government held its Seventh Round disposition of oil and gas licenses in the North Sea and Sovereign and its partners were successful in being awarded six licenses, four operated and two non-operated.

Sovereign is now in the position of having attractive oil and gas permits in the North Sea, and the funds to exploit these rights.

TRANSCANADA PIPELINES

Dome Petroleum and Dome Canada own 46.9% of the outstanding common shares of TransCanada PipeLines. TransCanada is one of the major gas transmission companies of the world, operating the only high pressure natural gas pipeline system linking Western Canadian reserves to eastern markets in Canada and the United States.

TransCanada's financial highlights for 1980 included operating revenues of $3.14 billion and net income applicable to common shares of $92.7 million.

TransCanada is acquiring significant interests in components of the Alaska Highway Pipeline Project including the "prebuild" to deliver Canadian gas from Alberta to United States markets prior to the completion of the Alaskan segment.

In March 1980, TransCanada announced agreement in principle for the acquisition of a 49% equity participation in the subsidiary of Foothills Pipe Lines (Yukon) which will construct and operate the Saskatchewan section.

In August 1980, TransCanada joined the partnership responsible for the State of Alaska section of the project. TransCanada expects to ultimately hold a 7% equity interest in this section for a total equity investment of $190 million over a five-year period. Total investment in this project is expected to exceed $10 billion (U.S.).

In October 1980, TransCanada entered into an agreement to acquire a

Above: Section of weighted pipe is lowered for the East Humber River pipeline crossing near Toronto.

Top: The efficient operation of nearly 6,000 miles of large diameter pipeline and 48 compressor stations is achieved with the help of a computer system in the Gas Control Centre at the Toronto office of TransCanada PipeLines.

30% interest in the $1.5 billion (U.S.) first phase of the Northern Border Pipeline, which is the southern portion of the Alaska Highway Project. TransCanada arranged, through a syndicate headed by a Canadian bank, loans to finance the 70% debt portion of the project.

TransCanada and Q&M Pipe Lines, a subsidiary of Nova, are jointly sponsoring the TransQuebec and Maritime gas transmission facilities to serve new areas of Eastern Canada.

In May 1980, the National Energy Board approved construction of a transmission line to Quebec City. Further hearings will be held on extension of the line to the Maritimes. Total cost of this project is estimated at $1.2 billion.

TransCanada also holds extensive oil and gas properties and wildcat lands in Canada and the United States.

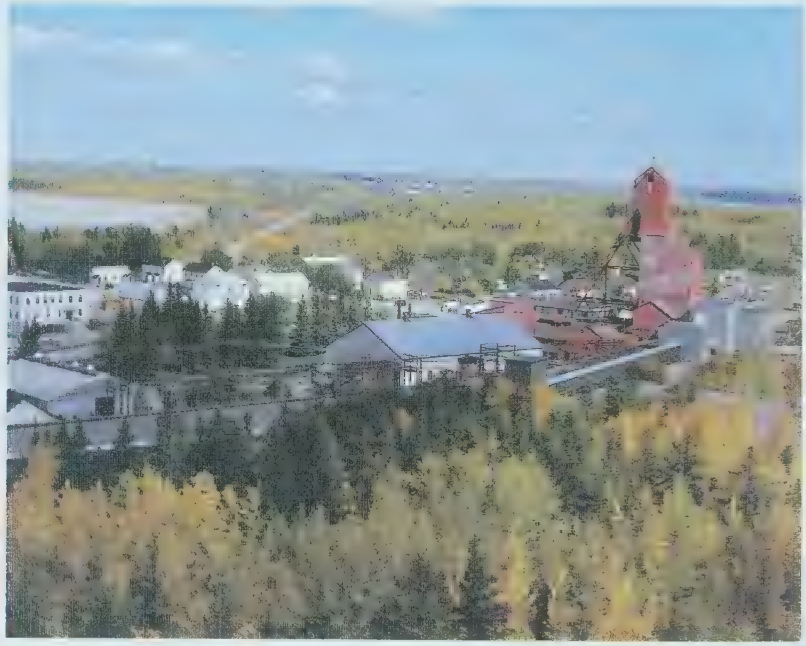
Dome Canada and TransCanada have agreed to participate, in equal shares, in securing farmouts of oil and gas rights in the frontier regions of Canada.

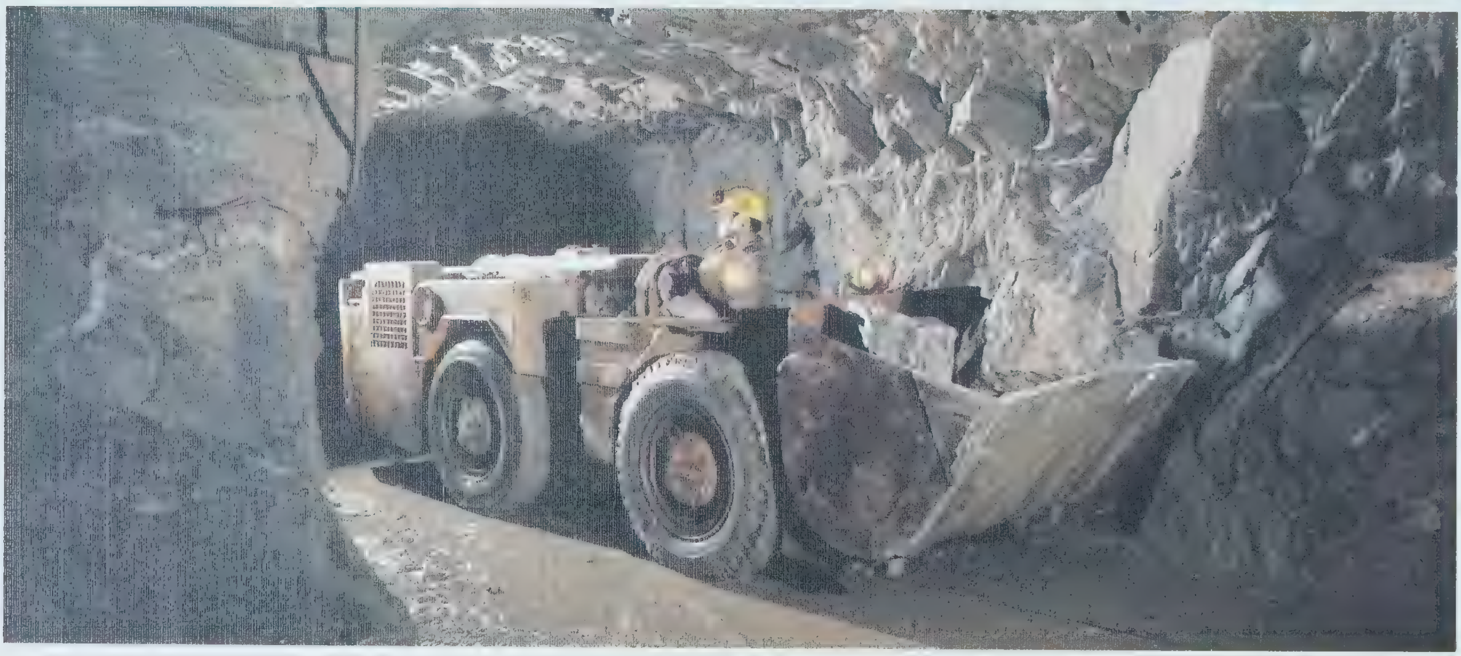
TransCanada has also agreed to participate in Dome's LNG export project. TransCanada could hold up to a 25% interest in the project.

DOME MINES

The Company owns approximately 39.3% of the outstanding common shares of Dome Mines and is Dome Mines' principal shareholder.

Dome Mines, in turn, owns approximately 25.7% of the outstanding common shares of Dome Petro-





Above: An electric load-hauler operating underground at the Dome gold mine.

Top Right: Dome Mines property at South Porcupine, Ontario

leum and is its principal shareholder. Dome Mines owns and operates a gold mine in the Porcupine district of Ontario and owns controlling interests in two other major gold producers: Campbell Red Lake Mines (57%) and Sigma Mines (Quebec) (66%). Dome Mines and its subsidiaries constitute the largest gold producer in the Western Hemisphere. Dome Mines also owns a 10% interest in Denison Mines, a major uranium producer, and a 20% interest in Canada Tungsten Mining.

Dome Mines' financial highlights for 1980 showed bullion revenues of \$237.5 million and a net income of \$126.5 million or \$7.25 per share.

Campbell Red Lake Mines and Dome Mines have each earned a 25% interest in the Detour Lake project, about 100 miles northeast of Timmins, Ontario, on which significant gold bearing structures have been discovered. The total cost of the mine construction program is estimated to be \$143 million with start of production scheduled for late 1983.

On February 26, 1981, Dome Mines announced a major exploration drilling program on what appears to be a significant gold occurrence in northwestern Ontario. Drill-indicated reserves exceed 1 million tons of material grading 0.2 ounces of gold per ton.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SUMMARY

The following table sets forth for the years indicated (i) percentages which certain items reflected in the financial data bear to revenue of the Company and (ii) the percentage change of such items as compared to the indicated prior year:

	Relationship to Total Revenues Year ended December 31,			Year to Year Increase (Decrease) Years ended	
	1980	1979	1978	1979-80	1978-79
			(Percentages)		
Revenue					
Crude Oil and Natural Gas	94.9	93.6	93.8	22.7	50.3
Pipeline Transportation	4.1	4.1	3.4	20.9	82.9
Other	1.0	2.3	2.8	(48.2)	24.5
	100.0	100.0	100.0	21.0	50.7
Cost of product	(36.5)	(34.7)	(46.6)	27.5	12.3
Operating and general	(15.2)	(19.5)	(15.0)	(6.1)	96.3
Interest	(13.1)	(11.8)	(7.4)	34.2	139.3
Depletion	(4.7)	(3.1)	(1.2)	85.3	298.1
Depreciation	(2.6)	(3.6)	(3.8)	(11.9)	43.2
Preferred share dividends of a subsidiary	(1.6)	(2.4)	(0.3)	(20.6)	965.3
Income before income taxes	26.3	24.9	25.7	27.6	45.9
Income taxes	(7.4)	(10.1)	(7.6)	(12.1)	102.0
Equity in earnings of affiliated companies	6.2	4.4	1.8	68.7	276.1
Net income	25.1	19.2	19.9	58.0	45.2

RESULTS OF OPERATIONS

Revenue

Over the three year period, revenue increased overall by 82%. Both segments of the Company's operations showed significant growth. Revenue increases in the three year period resulted primarily from high levels of successful exploratory and development drilling, together with the inclusion in 1980 of production arising from the acquisition of Kaiser Petroleum Ltd.

Cost of Product

Over the three year period, cost of product has increased to a lesser extent than related revenues, (43% compared with 56%) largely as a result of a different product mix and selling prices.

Operating and General Expense

Over the three year period, these costs increased in line with revenue. The decrease in expenditures in 1980 as compared to 1979 reflects the greater participation by third parties in the 1979 Beaufort Sea drilling program.

Interest Expense

Over the three year period, interest expense has increased by 221%, largely reflective of increasing interest rates, the Company's high level of capital investment, together with the decline of the Canadian dollar.

Depletion and Depreciation

Over the three year period, depletion and depreciation have increased by 170%, reflecting the Company's growing asset base and increased level of production. The decrease in depreciation in 1980 as compared to 1979 reflects the greater participation by third parties in the 1979 Beaufort Sea drilling program.

Equity in Earnings of Affiliated Companies

The Company's increased holdings in Dome Mines Limited and TransCanada PipeLines Limited, together with increased earnings in those companies, have resulted in the Company's equity in their earnings increasing by 534%.

LIQUIDITY AND CAPITAL RESOURCES

The Company has, since its inception, invested significantly greater amounts than its cash flow from operations. The Company's exploration and capital expenditures to cash flow ratio continues to maintain a satisfactory level and the Company's borrowing base continues to grow in relation to the fair market value of its assets. In view of the current degree of uncertainty with respect to Canadian Federal/Provincial energy policies, long term forecasts of cash flows and capital requirements are unavoidably subject to a high degree of uncertainty. Subject to this provision and to the inherent difficulty in all forward planning, the Company anticipates that its long and short term liquidity ratios will be substantially similar in the foreseeable future to those experienced in recent years. The Company has no material commitments for capital expenditures that are not in the normal course of business. However, the Company anticipates that its expenditures for exploration will be significantly reduced in 1981 through the creation of Dome Canada Limited.

AUDITORS' REPORT

To the Shareholders of Dome Petroleum Limited

We have examined the consolidated balance sheets of Dome Petroleum Limited as at December 31, 1980 and 1979 and the consolidated statements of income, retained earnings and changes in financial position for the three years ended December 31, 1980. For Dome Petroleum Limited and for those other companies of which we are the auditors and which are consolidated or are accounted for by the equity method in these financial statements, our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. For TransCanada PipeLines Limited which is accounted for by the equity method we have relied on the report of the auditors who have examined those financial statements.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1980 and 1979, the results of its operations and the changes in its financial position for the three years ended December 31, 1980 in accordance with generally accepted accounting principles consistently applied, except for the change in 1980, with which we concur, in the method of capitalizing interest as explained in Note 11 to the consolidated financial statements.

Calgary, Canada
March 10, 1981

Clarkson Gordon
Chartered Accountants

CONSOLIDATED STATEMENT OF INCOME

THREE YEARS ENDED DECEMBER 31, 1980

	1980 ($000)	1979 ($000)	1978 ($000)
REVENUE	$1,143,552	$945,466	$627,320
EXPENSE			
Cost of product	418,494	328,118	292,117
Operating and general	173,520	184,763	94,124
Interest on long term debt	291,802	141,202	59,091
Less interest capitalized	(142,386)	(29,906)	(12,577)
Depletion	53,629	28,933	7,268
Depreciation	29,981	34,015	23,750
Preferred share dividends of a subsidiary	18,153	22,871	2,147
	843,193	709,996	465,920
	300,359	235,470	161,400
INCOME TAXES (Note 10)			
Current	(33,016)	—	—
Deferred	117,276	95,880	47,467
	84,260	95,880	47,467
	216,099	139,590	113,933
EQUITY IN EARNINGS OF AFFILIATED COMPANIES	71,053	42,121	11,199
NET INCOME	$ 287,152	$181,711	$125,132
PER COMMON SHARE (Note 9)			
Net income before deferred income taxes	$8.66	$6.04	$3.85
Net income	$6.01	$3.90	$2.79
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in thousands) (Note 9)	44,298	44,624	44,856

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

THREE YEARS ENDED DECEMBER 31, 1980

	1980 ($000)	1979 ($000)	1978 ($000)
RETAINED EARNINGS, BEGINNING OF YEAR	$595,124	$421,292	$296,160
Net income for the year	287,152	181,711	125,132
	882,276	603,003	421,292
Preferred share dividends - stock	2,102	1,062	—
- cash	18,878	6,817	—
RETAINED EARNINGS, END OF YEAR	$861,296	$595,124	$421,292

See accompanying summary of significant accounting policies and notes.

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1980 and 1979

ASSETS

	1980 ($000)	1979 ($000)
CURRENT		
Cash and short term deposits	$ 50,517	$ 54,990
Accounts receivable	411,591	315,645
Inventories - product	133,494	70,492
- materials and supplies	106,844	52,176
	702,446	493,303
INVESTMENTS		
Dome Mines Limited (Market value 1980 -$789,596,000; 1979 - $457,737,000) (Note 1)	188,176	163,087
Less Dome Petroleum's pro rata interest in its shares held by Dome Mines Limited	79,556	75,922
	108,620	87,165
TransCanada PipeLines Limited (Market value 1980 - $458,656,000; 1979 - $500,237,000) (Note 2)	460,444	423,645
Sovereign Oil & Gas Ltd. (Market value 1980 - $99,179,000; 1979 - $22,273,000)	11,605	11,422
Panarctic Oils Ltd.	26,301	9,903
Other	5,758	5,200
	612,728	537,335
PROPERTY, PLANT AND EQUIPMENT (Note 3)	3,692,078	2,070,725
OTHER ASSETS	71,482	29,130
	$5,078,734	$3,130,493

LIABILITIES AND SHAREHOLDERS' EQUITY

	1980 ($000)	1979 ($000)
CURRENT		
Bank loans (Note 13)	$ 8,800	$ 6,541
Accounts payable	475,757	343,152
Long term debt due within one year	59,243	30,625
	543,800	380,318
LONG TERM DEBT (Note 4)	2,646,230	1,332,161
DEFERRED INCOME TAXES	499,315	309,037
PREFERRED SHARES issued by a subsidiary (Note 5)	220,000	220,000
REDEEMABLE PREFERRED SHARES (Note 6)	282,695	285,628
COMMON SHARES (Note 7)	103,992	84,147
CONTRIBUTED SURPLUS (Note 6)	962	—
RETAINED EARNINGS	861,296	595,124
DOME PETROLEUM'S PRO RATA INTEREST in its shares held by Dome Mines Limited (Note 1)	(79,556)	(75,922)
	$5,078,734	$3,130,493

The Company follows the full cost method of accounting for oil and gas operations.

See accompanying summary of significant accounting policies and notes.

On behalf of the Board:

Director. Director.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

THREE YEARS ENDED DECEMBER 31, 1980

	1980 ($000)	1979 ($000)	1978 ($000)
Funds were provided from:			
Cash flow from operations	$ 449,626	$ 323,395	$198,741
Less preferred share dividends	(18,878)	(6,817)	—
Cash flow after deduction of preferred share dividends	430,748	316,578	198,741
Issue of long term debt	1,756,844	844,655	127,310
Issue of preferred shares	—	284,566	—
Issue of preferred shares by a subsidiary	—	—	220,000
Issue of common shares	19,845	5,883	3,246
Other	—	3,358	—
Decrease in working capital	—	—	11,484
	$2,207,437	$1,455,040	$560,781
Funds were used for:			
Expenditures for property, plant and equipment	$1,043,006	$ 859,735	$385,774
Acquisitions (Note 12)	604,729	310,964	—
Less amounts contributed through participation agreements (Note 8)	(12,678)	(166,901)	(73,803)
	1,635,057	1,003,798	311,971
Reduction in long term debt	442,775	89,615	70,654
Investments in:			
TransCanada PipeLines Limited	19,818	246,660	164,445
Dome Mines Limited	—	65,804	7,158
Sovereign Oil & Gas Ltd.	—	11,422	—
Panarctic Oils Ltd.	16,398	—	1,027
Increase in other investments and other assets	43,655	14,973	5,526
Redemption of preferred shares	4,073	—	—
Increase in working capital	45,661	22,768	—
	$2,207,437	$1,455 040	$560,781

CONSOLIDATED COMPONENTS OF CHANGES IN WORKING CAPITAL

	1980	1979	1978
Increase (decrease) in current assets			
Cash and short term deposits	$ (4,473)	$ 4,075	$ 15,144
Accounts receivable	95,946	111,691	27,747
Inventories	117,670	38,820	10,633
	209,143	154,586	53,524
Increase (decrease) in current liabilities			
Bank loans	2,259	(27,202)	10,799
Accounts payable	132,605	150,393	55,055
Long term debt due within one year	28,618	8,627	(846)
	163,482	131,818	65,008
Increase (decrease) in working capital	$ 45,661	$ 22,768	$(11,484)

See accompanying summary of significant accounting policies and notes.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada and include the accounts of Dome Petroleum Limited and its subsidiary companies. The excess of the consideration paid for the shares of subsidiaries over their net book values at dates of acquisition has been attributed to the related property, plant and equipment.

FOREIGN CURRENCY TRANSLATION

Current assets and current liabilities are translated at the rates of exchange prevailing at the balance sheet dates. Long term assets and liabilities are translated at rates in effect at the dates the assets were acquired or obligations incurred. Revenue and expense items are translated at average rates during the year with the exception of depletion and depreciation which are translated at the rates of exchange used for the related assets. The resulting gains and losses are included in income.

INVENTORY VALUATIONS

Inventories of product are valued at the lower of average cost and net realizable value. Materials and supplies are valued at average cost.

INVESTMENTS

The Company's investments in Dome Mines Limited, TransCanada PipeLines Limited and Sovereign Oil & Gas Ltd. are accounted for by the equity method. Under this method the investments are carried at cost plus the related equity in undistributed earnings less the amortization of the excess of the purchase price over the net book value at dates of acquisition. The Company's 8.6% interest in Panarctic Oils Ltd. is carried at cost.

PROPERTY, PLANT AND EQUIPMENT

The Company follows the full-cost method of accounting for oil and gas operations whereby all costs of exploring for and developing oil and gas and related reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expense, interest and other carrying charges of non-producing property, costs of drilling both productive and non-productive wells and overhead expense related to exploration activities. The Company's share of costs incurred in drilling in the Beaufort Sea includes depreciation of drillships and related facilities, interest and operating expenses.

Maintenance and repair costs are charged against income. Significant improvements are capitalized and replaced assets, if any, are retired from the accounts.

Gains or losses are not recognized upon disposition of oil and gas properties accounted for under the full-cost method. Gains or losses are recognized upon disposition of other assets.

DEPRECIATION AND DEPLETION

Provisions for depreciation of production facilities and depletion are computed on the composite unit-of-production method based on proved reserves of oil and gas as determined by Company engineers. In the calculation, natural gas reserves and production are converted to equivalent barrels of crude oil based on the relative net sales value of each product.

Costs incurred in the Beaufort Sea, Arctic and certain other undeveloped properties are excluded from the depletion calculation until the quantities of proved reserves can be ascertained through further exploration.

Plant, pipelines, related facilities and other assets, drillships and supply vessels are depreciated on the straight-line basis at rates designed to amortize the assets over their estimated useful lives.

CAPITALIZED INTEREST

Interest is capitalized on all costs that are excluded from the depletion calculation and on costs incurred during the construction of property, plant and equipment. Once the exploration stage is complete, or the facility commences operations, subsequent interest costs are charged to income.

INCOME TAXES

The Company follows the tax allocation method of accounting under which the income tax provision is based on the income reported in the accounts. Under this method, the Company makes full provision for income

taxes deferred principally as a result of claiming capital cost allowance and exploration and development costs in excess of depreciation and depletion provided in the accounts.

COMPARATIVE FIGURES

Certain comparative figures for the two years ended December 31, 1979 have been restated to conform to the current year's financial statement presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1980, 1979 and 1978

1. INVESTMENT IN DOME MINES LIMITED

At December 31, 1980 the Company owned 7,628,946 common shares of Dome Mines Limited representing a 39.3% interest therein. During the period the Company acquired common shares of Dome Mines Limited as follows: 1979 -1,641,546 ($65,804,000); 1978 - 287,400 ($7,158,000). Dividends received by the Company were as follows: 1980 - $5,149,000; 1979 - $3,187,000; 1978 - $1,919,000.

At December 31, 1980 Dome Mines Limited owned 25.7% of the outstanding common shares of the Company resulting in the Company having a pro rata interest of 10.1% in its own shares. The investment in Dome Mines Limited and shareholders' equity have therefore been reduced by the allocated portion of the cost of the investment in shares of Dome Mines Limited related thereto. The excess of the purchase price over the net book value of Dome Mines Limited at dates of acquisition, other than its holdings in Dome Petroleum Limited, amounts to $51,753,000 and is attributable to the value of the mineral assets held by Dome Mines Limited. This excess is being amortized over the expected life of the mineral assets.

2. INVESTMENT IN TRANSCANADA PIPELINES LIMITED

At December 31, 1980 the Company owned 20,613,771 common shares of TransCanada PipeLines Limited representing a 46.9% interest therein. During the period the Company acquired common shares of TransCanada PipeLines Limited as follows: 1980 -900,000 ($19,818,000); 1979 -10,693,550 ($246,660,000); 1978 -9,020,221 ($164,445,000). See Note 20. Dividends received by the Company were as follows: 1980 - $23,651,000; 1979 - $19,757,000; 1978 - $2, 616,000.

At December 31, 1980 the excess of the purchase price over the net book value of TransCanada PipeLines Limited at dates of acquisition amounted to $137,325,000 which is attributable to the value of the pipelines owned by TransCanada PipeLines Limited. This excess is being amortized over the remaining life of these assets.

3. PROPERTY, PLANT AND EQUIPMENT

	Principal Depreciation and Depletion Rates	Investment at Cost	Accumulated Depreciation and Depletion	Net Investment 1980	Net Investment 1979
			(In thousands of dollars)		
Plants, pipelines, related facilities and other assets	3.3% to 6.7%	$ 523,916	$ 92,339	**$ 431,577**	$ 326,931
Oil and gas properties	Unit of production	2,859,777	132,003	**2,727,774**	1,344,520
Production facilities	Unit of production	295,961	28,332	**267,629**	149,064
Drillships and supply vessels	6.7% to 10.0%	337,682	72,584	**265,098**	250,210
		$4,017,336	$325,258	**$3,692,078**	$2,070,725

Costs of properties excluded from the depletion calculation during the period were: 1980 - $561,800,000; 1979 -$253,800,000; 1978 -$115,000,000.

4. LONG TERM DEBT

	1980	1979
	(In thousands of dollars)	
Debentures		
9 1/2% Series A Debentures due 1997 (1980 and 1979 - U.S. $150,000,000)	$ 158,811	$ 158,811
Income Debenture, with interest at 52% of the prime bank rate plus 3/4%, due 1988	200,000	200,000
13 1/2% Debentures due 1992 (U.S. $48,550,000)	56,686	—
10 3/8% Sinking Fund Debentures due 1996	28,361	—
10% Debentures due 1994 (1980 and 1979 - U.S. $50,000,000)	57,336	57,278
Term Bank Loans		
With interest rates varying up to 1 1/4% in excess of the prime bank rate and up to 5/8% in excess of the London Interbank Offered Rate		
In Canadian funds, due 1981-1988	1,503,351	565,256
In U.S. funds, due 1981-1986 (1980 - U.S. $183,500,000; 1979 - U.S. $53,500,000)	204,394	52,109
Promissory Notes		
With interest at the prime bank rate between 8 1/4% and 10 1/4% per annum adjusted for one half the differential in prime below or above these limits, due 1989	25,500	28,500
With interest at prime less 1/4% due 1985	75,000	—
With interest at varying rates from 6% to prime plus 1 1/4%		
Due 1988 ($161,600,000 less funds on deposit of $123,315,000)	38,285	38,285
Due 1998	225,488	229,750
With interest at 6% due 1986 (Swiss Francs 100,000,000)	69,541	—
Other (including capitalized lease and royalty obligations)	62,720	32,797
	2,705,473	1,362,786
Less amounts due within one year	59,243	30,625
	$2,646,230	$1,332,161

The 9 1/2% Series A Debentures are secured by a first fixed mortgage and charge upon certain of the Company's oil and gas properties, related production equipment and sales agreements. The Trust Deed securing the Debentures requires annual redemption at varying amounts in each of the years 1983 to 1996.

As security for the Income Debenture and Term Bank Loans, the Company has issued collateral demand debentures which include floating charges on property, plant and equipment; has pledged certain oil and gas properties and product inventories; has assigned certain amounts due under marketing agreements and has hypothecated shares of TransCanada PipeLines Limited, Dome Mines Limited and certain subsidiary companies. Under the provisions of the Income Debenture, the Company is required to make principal repayments of varying amounts in each of the years 1984 to 1988. At December 31, 1980 the Company had an unused line of credit of U.S. $95,000,000 under these specific bank arrangements.

The 13 1/2% Debentures are subject to a purchase fund which requires that the Company use all reasonable efforts to purchase in the market, debentures in the amounts of U.S. $4,500,000 during the year commencing May 1, 1980 and U.S. $2,000,000 in each of the years commencing May 1, 1981 to 1986 at prices not exceeding 100% of the principal amount. During 1980, U.S. $1,450,000 of debentures were purchased under this provision.

The 10 3/8% Sinking Fund Debentures are subject to annual sinking fund payments in the amount of $1,500,000 in each of the years 1981 to 1995 inclusive. During 1980, $1,639,000 of debentures were purchased by the Company in respect of its 1981 sinking fund payment.

The 10% Debentures are subject to annual sinking fund payments in the amount of U.S. $2,750,000 in each of the years 1984 through 1993.

As security for the Promissory Notes, the Company has pledged certain oil and gas properties which are subject to a first fixed charge and has placed in escrow with a Canadian chartered bank $123,315,000 in cash. The monies held in escrow earn interest and will be released in proportion to the principal repayments of the promissory notes. The promissory notes are repayable as follows: $7,650,000 (1981); $43,650,000 (1982 - 1984); $118,650,000 (1985); $113,579,000 (1986); $43,650,000 (1987); $94,650,000 (1988); $6,150,000 (1989) and $4,650,000 (1990 - 1998).

Discounts on debt issued and related expenses are deferred and amortized over the term of the loan.

Long term debt repayable in United States currency has been translated at the rates of exchange in effect at the dates the obligations were incurred. United States accounting practice requires that long term debt payable in foreign funds be translated at exchange rates in effect at the end of the year and the unrealized exchange gain or loss included in income currently. If the Company had followed this practice, long term debt would have been increased by 1980 - $37,587,000; 1979 - $27,586,000; 1978 - $31,296,000 and net income would have been decreased by 1980 -$9,961,000 ($ 0.22 per share); 1978 - $19,410,000 ($0.43 per share) and increased by $3,555,000 ($ 0.08 per share) during 1979.

Approximate instalments of long term debt (including sinking fund repayments) due in each of the years 1982 to 1985 are: 1982 - $790,504,000; 1983 - $146,940,000; 1984 - $150,628,000 and 1985 - $372,529,000.

5. PREFERRED SHARES ISSUED BY A SUBSIDIARY

A subsidiary of the Company had outstanding during 1980 and 1979 2,200,000 cumulative, non-voting, first preference shares redeemable in 1988 which redemption is guaranteed by the Company. The dividend rate is 52% of the prevailing prime bank rate plus 3/4%. At the Company's option, shares may be converted to a term bank loan and after June 1, 1981 may be redeemed.

6. REDEEMABLE PREFERRED SHARES

The Articles of Continuance of the Company as approved by the shareholders on May 7, 1979 authorized the creation of a class of preferred shares unlimited in number and issuable in series.

Preferred shares outstanding at December 31, 1980 and 1979 were as follows:

		1980		1979	
	Authorized	Outstanding	Amount	Outstanding	Amount
		(Amounts in thousands of dollars)			
7.76% Series A and B	10,500,000	**5,048,112**	**$126,062**	5,000,000	$125,000
Stock dividends		**105,345**	**2,102**	48,112	1,062
Redeemed		**(201,941)**	**(5,035)**	—	—
		4,951,516	**123,129**	5,048,112	126,062
6.98% Series C	1,450,000	**1,450,000**	**36,250**	1,450,000	36,250
7 1/4% Series D	4,110,517	**4,110,517**	**61,658**	4,110,517	61,658
7% Series E	4,110,516	**4,110,516**	**61,658**	4,110,516	61,658
		14,622,549	**$282,695**	14,719,145	$285,628

During 1980, the Company purchased for cancellation 201,941 Series A and B Preferred Shares at a discount of $962,000 which amount has been credited to Contributed Surplus.

Series A Cumulative Preferred Shares and Series B Cumulative Stock Dividend Preferred Shares were issued at $25 per share and are interconvertible at any time on a share for share basis at the option of the holder. The shares are redeemable after August 31, 1984 at $26 per share to August 31, 1985, declining thereafter by 20¢ per share annually to $25 after August 31, 1989. The Company is required to use all reasonable efforts to purchase each year, commencing in 1980, a total of 4% of the Series A and Series B Preferred Shares outstanding at the beginning of each year provided such shares are available at prices not exceeding $25 per share plus costs of purchase.

Series C Cumulative Preferred Shares were issued at $25 per share with redemption of 5% per annum of the issued shares beginning in 1985 at $25. Each holder has the right to waive this redemption obligation of the Company in any year. The dividend rate will be adjusted in 1984 and each five years thereafter, based on the five-year term deposit rate of certain financial institutions.

Series D Cumulative Preferred Shares were issued at $15 per share and are redeemable beginning in 1991. The holder has the right to require redemption at $15 in 1984 and each fifth year thereafter.

Series E Cumulative Preferred Shares were issued at $15 per share and are redeemable beginning in 1988. The holder has the right to require redemption at $15 in 1982 and each third year thereafter. As of January 1981, the holder has requested that these shares be redeemed in 1982.

7. COMMON SHARES

Authorized:

100,000,000 common shares of no par value

Issued:

49,652,161 common shares (1979 - 49,252,270)

By a Certificate of Continuance dated October 15, 1979, the Company was continued under the Canada Business Corporations Act.

During 1979, each common share of the Company was subdivided into four shares and subsequently the authorized number of common shares was increased to 100,000,000. Common shares issued during the years ended December 31,1980 and 1979 were as follows:

	1980		1979	
	Shares	Amount	Shares	Amount
		(Amounts in thousands of dollars)		
Under stock purchase plans	**393,935**	**$19,818**	330,200	$5,883
In exchange for shares of a subsidiary	**1,056**	—	782	—
On the exercise of an option	**4,900**	**27**	120	—
	399,891	**$19,845**	331,102	$5,883

At December 31, 1980, 654,275 shares (1979 - 1,054,166) were reserved for issue as follows: 607,265 under the Company's stock purchase plans, 22,000 for options granted or to be granted under employee stock option plans, and 25,010 for shares of a subsidiary not yet presented for exchange. The Company has made interest free loans to officers to enable them to purchase shares from the Company under stock incentive agreements. At December 31, 1980, $13,890,000 (1979 - $7,795,000) was receivable by the Company under the above arrangements and is included in Other Assets.

Stock Option and Key Employee Stock Purchase Plans.

The following table shows certain details regarding 10-year options granted in 1970 and 1971 under the Company's stock option plans. No options to purchase shares of the Company have been granted since 1971; no options became exercisable during the two years ended December 31, 1980 at which date 21,600 shares were reserved for the granting of future options under the plans.

	Number	Option Price		Market Price	
Shares under option	of shares	Per Share	Total	Per Share	Total
January 1, 1979	5,420	$5.60	$30,366	$ 5.60	$ 30,366(A)
Exercised during 1979	120	3.92	470	40.25	4,830(B)
December 31, 1979	5,300	5.64	29,896	5.64	29,896(A)
Exercised during 1980	4,900	5.55	27,188	67.80	332,225(B)
December 31, 1980	400	6.77	2,708	6.77	2,708(A)

(A) At dates options were granted
(B) At dates options were exercised

None of the above options is held or was exercised by an officer or director of the Company.

Under the Company's key employee stock purchase plans, the Company is authorized to sell to a trustee, at the prevailing market price, an aggregate of 2,800,000 common shares of the Company for resale at the same price to key employees of the Company. The purchase price of these shares is payable, without interest, by the employees over a maximum period of 10 years during which the shares are held as security. Under these plans, 2,286,875 shares of the Company were sold to employees in the years 1972 to 1980 at prices of $4.50 to $83.00 per share. Shares sold under these plans are as follows:

	Number	Purchase Price	
	of shares	Per share	Total
1980	237,350	$59.80	$14,193,000
1979	250,725	47.29	11,857,000

8. PARTICIPATION AGREEMENTS

Under various agreements, other than conventional farmout agreements, third parties have agreed to participate in the Company's exploration and development program in order to earn varying interests in the lands covered by the agreements. Amounts contributed under the above arrangements for the period were: 1980 -$12,678,000; 1979 - $166,901,000; 1978 - $73,803,000

9. NET INCOME PER COMMON SHARE

Net income per common share is calculated using the weighted monthly average number of shares outstanding which amounts have been reduced by the Company's pro rata interest in its outstanding shares held by Dome Mines Limited. There are no dilutive factors that would have a material effect on net income per share.

10. INCOME TAXES

Income tax provisions differ from the calculated tax obtained by applying the Canadian corporate tax rate to income before income taxes. These differences are accounted for as follows:

	1980	1979	1978
	(In thousands of dollars)		
Corporate tax rate	**47.8%**	46%	46%
Calculated income tax provision	**$143,572**	$108,316	$74,244
Add (deduct):			
Crown charges disallowed for tax purposes less provincial rebates	**48,734**	20,316	13,723
Federal resource allowance	**(42,663)**	(26,755)	(13,187)
Depletion allowance on Canadian oil and gas production income	**(25,085)**	(15,698)	(8,169)
Frontier exploration allowance	**(45,416)**	(2,583)	(12,081)
Investment tax credit	**(2,044)**	(1,825)	(3,807)
Manufacturing and processing tax reduction	**(3,289)**	(4,048)	(3,417)
Income debenture interest	**7,846**	6,799	797
Preferred share dividends of a subsidiary	**9,677**	10,521	988
Non-deductible depletion	**6,171**	—	—
Depreciation claimed for tax purposes which has no accounting equivalent	**(17,066)**	—	—
Other	**3,823**	837	(1,624)
Income tax provision	**$ 84,260**	$ 95,880	$47,467

The components of income before income taxes between domestic and foreign categories together with related income taxes are set out below. The foreign components of net income and income tax expense were not significant prior to 1980.

	1980		
	Canada	**U.S.**	**Total**
	(In thousands of dollars)		
Income before income taxes and equity earnings	**$267,970**	**$32,389**	**$300,359**
Income tax expense:			
Current	**$(33,016)**	**$ —**	**$(33,016)**
Deferred	**104,421**	**12,855**	**117,276**
	$ 71,405	**$12,855**	**$ 84,260**

Current income taxes recorded during 1980 amounting to $33,016,000 represent the recovery of an income tax liability previously incurred by an acquired subsidiary.

11. CHANGE IN ACCOUNTING POLICY

On December 31, 1980 the Company adopted, retroactive to January 1, 1980, the provisions of U.S. Financial Accounting Standards Board Statement No. 34 under which standards are established for capitalizing interest cost related to the acquisition and development of certain assets. The Company believes this policy more accurately

reflects the cost of exploring in areas such as the Beaufort Sea, Arctic and other exploratory areas where the exploration period is lengthy and costs are significant. As a result, the Company has capitalized interest during 1980 on all costs incurred to date in such exploratory areas. Previously the Company followed the policy of capitalizing interest only where the related financing could be indentified with the purchase or construction of assets. If this policy had been applied in 1979, net income for 1979 would have been increased by $17,521,000 ($0.39 per share). Net income for 1980 was increased by $54,486,000 ($1.23 per share).

12. ACQUISITIONS

During 1980, the Company acquired the shares of a number of oil and gas exploration and development companies, including Kaiser Petroleum Ltd., which have been accounted for by the purchase method. The details of the transactions are as follows (in thousands of dollars):

Value attributed to property, plant and equipment	$946,834
Net proceeds of subsequent dispositions	(270,103)
Deferred income taxes	(72,002)
Acquisitions per Consolidated Statement of Changes in Financial Position	604,729
Working capital and other assets	8,559
Long term debt assumed	(30,000)
Net purchase price financed by debt	$583,288

The excess of the purchase price over the net book values of assets acquired has been attributed to the value of property, plant and equipment and is being depleted over the expected life of the related reserves.

During 1979, the Company acquired the oil and gas properties of several companies including those previously held by Siebens Oil & Gas Ltd. and Mesa Petroleum Company for a net consideration of $310,964,000.

13. SHORT TERM BANK LOANS

Short term bank loans bear interest at the prime bank rate and are secured by an assignment of accounts receivable and an undertaking to provide oil and gas properties as security if required. As at December 31, 1980 there was an unused line of credit under these arrangements of $185,000,000.

14. RELATED PARTY TRANSACTIONS

a) The Company has contracts for the sale of gas and extraction of gas by-products with TransCanada PipeLines Limited. The utility operations of TransCanada PipeLines Limited are regulated and establish the terms and conditions with which TransCanada PipeLines Limited deals with outside parties including the Company. Revenue and cost of product included in the Consolidated Statement of Income during 1980 amounted to approximately $142,000,000 and $25,000,000 respectively. Accounts receivable from TransCanada PipeLines Limited at December 31, 1980 amounted to approximately $15,000,000.

b) During 1980, the Company sold to TransCanada PipeLines Limited for a consideration of approximately $126,000,000 a 12 1/2% interest in the assets formerly held by Kaiser Petroleum Ltd.

c) During 1980, the Company sold to subsidiaries of Dome Mines Limited a 5% interest in certain resource properties for a consideration of approximately $42,500,000. In addition, these subsidiaries have the right to earn an interest in certain exploratory oil and gas rights by expending approximately $100,000,000.

15. LEGAL PROCEEDINGS

The Company commenced legal proceedings in 1980 against Kaiser Resources Ltd., former parent of Kaiser Petroleum Ltd., requiring that Kaiser Resources Ltd. discharge certain guarantees made by Kaiser Petroleum Ltd. of the liabilities of a group of British companies. Counsel for the Company expects that these issues will be settled in the Company's favour in the near future.

16. PENSION AND SAVINGS PLANS

The Company's voluntary contributory pension plan and employee savings plan are available to substantially all of its permanent employees. Employee and Company contributions made under the pension plan are paid to, and invested by, an insurance company. Similar contributions made under the savings plans are invested by a

trustee in the common shares of the Company on behalf of the employees. Pension costs are funded as accrued in accordance with actuarial requirements. Amounts charged to income to fund the plans were: 1980 - $10,665,000; 1979 - $5,650,000 and 1978 - $2,937,000.

17. STATEMENT OF INFORMATION BY INDUSTRY SEGMENT AND GEOGRAPHIC AREA

INDUSTRY SEGMENTS

The Board of Directors of the Company has determined and recorded in the minutes of a Board meeting that Crude Oil and Natural Gas and Pipeline Transportation are the business segments of the Company.

	1980	1979	1978
		(In thousands of dollars)	
Sales to Customers			
Crude Oil and Natural Gas	**$1,085,528**	$ 885,031	$ 588,714
Pipeline Transportation	**46,759**	38,680	21,139
Other	**11,265**	21,755	17,467
Consolidated	**$1,143,552**	$ 945,466	$ 627,320
Operating Profit			
Crude Oil and Natural Gas	**$ 451,072**	$ 340,079	$ 190,705
Pipeline Transportation	**28,933**	20,943	15,239
Other	**9,683**	20,475	11,321
Consolidated	**489,688**	381,497	217,265
General corporate expense	**(21,760)**	(11,860)	(7,204)
Interest expense	**(149,416)**	(111,296)	(46,514)
Preferred share dividends of a subsidiary	**(18,153)**	(22,871)	(2,147)
Equity in earnings of affiliates	**71,053**	42,121	11,199
Income taxes	**(84,260)**	(95,880)	(47,467)
Net Income	**$ 287,152**	$ 181,711	$ 125,132
Identifiable Assets			
Crude Oil and Natural Gas	**$3,378,852**	$1,817,942	$ 928,156
Pipeline Transportation	**249,684**	236,971	194,909
Other	**63,542**	15,812	7,845
Consolidated	**3,692,078**	2,070,725	1,130,910
Corporate Assets	**773,928**	522,433	353,372
Investments	**612,728**	537,335	229,088
Total Assets	**$5,078,734**	$3,130,493	$1,713,370
Capital Expenditures			
Crude Oil and Natural Gas	**$1,565,769**	$ 945,409	$ 288,016
Pipeline Transportation	**19,976**	49,332	22,865
Other	**49,312**	9,057	1,090
Consolidated	**$1,635,057**	$1,003,798	$ 311,971
Depreciation, Depletion and Amortization			
Crude Oil and Natural Gas	**$ 74,765**	$ 54,588	$ 28,214
Pipeline Transportation	**7,263**	7,270	1,026
Other	**1,582**	1,090	1,778
Consolidated	**$ 83,610**	$ 62,948	$ 31,018

17. (continued)

GEOGRAPHIC AREA	1980	1979	1978
		(In thousands of dollars)	
Sales to Customers			
Canada	$ 815,162	$ 696,547	$ 365,991
United States	328,390	248,919	261,329
Consolidated	$1,143,552	$ 945,466	$ 627,320
Transfers between Geographic Segments			
Canada	$ 243,835	$ 226,410	$ 190,341
United States	450	—	2,292
Eliminations	(244,285)	(226,410)	(192,633)
Consolidated	$ —	$ —	$ —
Operating Profit			
Canada	$ 440,500	$ 355,227	$ 200,411
United States	49,188	26,270	16,854
Consolidated	489,688	381,497	217,265
General corporate expense	(21,760)	(11,860)	(7,204)
Interest expense	(149,416)	(111,296)	(46,514)
Preferred share dividends of a subsidiary	(18,153)	(22,871)	(2,147)
Equity in earnings of affiliates	71,053	42,121	11,199
Income taxes	(84,260)	(95,880)	(47,467)
Net Income	$ 287,152	$ 181,711	$ 125,132
Identifiable Assets			
Canada	$3,820,034	$2,296,215	$1,290,526
United States	645,972	296,943	193,756
Consolidated	4,466,006	2,593,158	1,484,282
Investments	612,728	537,335	229,088
Total Assets	$5,078,734	$3,130,493	$1,713,370

18. CAPITALIZED COSTS AND COSTS INCURRED IN OIL AND GAS PRODUCING ACTIVITIES

Cumulative capital costs, together with related depreciation and depletion, incurred in oil and gas producing activities as at December 31, 1980 and 1979 are as follows:

	CANADA		UNITED STATES		TOTAL	
	1980	1979	1980	1979	1980	1979
			(In thousands of dollars)			
Proved and unproved properties	$2,737,354	$1,458,194	$418,384	$137,193	$3,155,738	$1,595,387
Accumulated depreciation and depletion	142,091	94,868	18,244	6,935	160,335	101,803
	$2,595,263	$1,363,326	$400,140	$130,258	$2,995,403	$1,493,584

The Company's proportionate interests in the capital costs of proved and unproved properties, net of depreciation and depletion, of companies accounted for by the equity method are as follows:

	1980	1979
	(In thousands of dollars)	
Proved and unproved properties, net	$ 283,028	$ 154,515

Costs incurred together with related depreciation and depletion, in oil and gas producing activities during the three years ended December 31, 1980 are as follows:

	CANADA			UNITED STATES			TOTAL		
	1980	1979	1978	1980	1979	1978	1980	1979	1978
				(In thousands of dollars)					
Property acquisitions	$680,171	$519,583	$48,410	$198,862	$24,137	$ 5,847	$879,033	$543,720	$ 54,257
Exploration	388,402	146,393	88,526	42,149	34,511	17,222	430,551	180,904	105,748
Development	203,181	144,809	62,753	40,180	21,748	6,006	243,361	166,557	68,759
Production	57,324	25,604	19,064	10,660	981	757	67,984	26,585	19,821
Depreciation and depletion	49,761	32,505	8,964	11,124	4,133	1,771	60,885	36,638	10,735

The Company's proportionate interests in costs incurred together with related depreciation and depletion, in oil and gas producing activities of companies accounted for the equity method are as follows:

	CANADA			UNITED STATES			TOTAL		
	1980	1979	1978	1980	1979	1978	1980	1979	1978
	(In thousands of dollars)								
Property acquisitions	$80,073	$153,365	—	$6,961	—	—	$87,034	$153,365	—
Exploration	20,317	143	—	563	—	—	20,880	143	—
Development	10,276	217	—	—	—	—	10,276	217	—
Production	1,572	76	—	—	—	—	1,572	76	—
Depreciation and depletion	3,372	296	—	—	—	—	3,372	296	—

19. NET REVENUE FROM OIL AND GAS PRODUCING ACTIVITIES

		Canada	United States	Total
			(In thousands of dollars)	
Revenue, net of royalties and lifting costs	1980	$296,017	$31,512	$327,529
	1979	$166,874	$ 3,905	$170,779
	1978	$ 90,295	$ 1,957	$ 92,252
The Company's proportionate interest in the net revenue of companies accounted for by the equity method	1980	$ 6,852	$ —	$ 6,852
	1979	$ 330	$ —	$ 330
	1978	$ —	$ —	$ —

20. SUBSEQUENT EVENTS

a) As a result of a prospectus filed March 2, 1981 Dome Canada Limited ("DCL") issued 46,000,000 common shares of a par value of $1.00, carrying the right to receive share purchase warrants, for a net consideration of $433,850,000 representing 52% of the total number of common shares of DCL. The Company acquired a 48% interest in DCL, consideration made by the transfer to DCL of 10,306,886 common shares of TransCanada PipeLines Limited valued at $251,230,346 and cash in the amount of $149,500,391 representing 42,461,535 common shares in DCL.

The ownership of the common shares of DCL will be restricted to certain Canadian individuals and Canadian enterprises to enable DCL to maintain a Canadian ownership level in excess of that level required in order that DCL qualify for the maximum level of grants under the National Energy Program.

The Company has entered into certain agreements with DCL, including the right to participate in a loan as described in (b) below, which enables DCL to earn interests in certain Canadian exploratory lands currently held by the Company and others in return for the obligation to fund all exploration including the drilling of exploration wells and geological and geophysical surveys. Subsequent development costs will be borne by the Company and DCL in proportion to their respective interests. The operations of DCL, including administration, will be carried out by the Company on behalf of DCL.

b) The Company arranged, through an agreement dated February 16, 1981, that the Arctic Petroleum Corporation, a Japanese company, will advance $400 million during 1981 and 1982 to be used in conducting exploration activities in the Beaufort Sea. The first $175 million will be assigned to the Company in respect of 1980 Beaufort drilling activities,and the remaining $225 million will be retained by DCL. Repayment of the principal amount is to be made from 20% of the net proceeds of production from certain fields to be developed in the Beaufort Sea, but in any event the principal balance is repayable by the year 2030. Interest on the borrowing will approximate 16% per year compounded annually, the payment of which will be contingent upon proceeds of production from the Beaufort Sea. Accordingly, such interest will not be accrued until production is assured.

UNAUDITED SUPPLEMENTARY INFORMATION

OIL AND GAS RESERVES

Net proved reserves of oil and gas as defined by the United States' Securities and Exchange Commission and as estimated by Company engineers, at the beginning and ending of 1980, 1979 and 1978, with the detail of changes during those years, are presented below.

Oil (includes Natural Gas Liquids) measured in thousands of barrels

Gas measured in billions of cubic feet

	FOR THE YEAR ENDED DECEMBER 31,1980					
	CANADA		UNITED STATES		TOTAL	
	OIL	GAS	OIL	GAS	OIL	GAS
Proved developed and undeveloped reserves:						
Beginning of year	166,270	2,912	9,927	89	176,197	3,001
Revisions of previous estimates	6,025	97	(2,733)	(3)	3,292	94
Improved recovery	17,756	—	—	—	17,756	—
Purchases of minerals-in-place	79,468	464	6,453	69	85,921	533
Extensions, discoveries and other additions	32,389	520	4,713	16	37,102	536
Production	(14,308)	(120)	(1,114)	(6)	(15,422)	(126)
Sales of minerals-in-place	—	—	—	—	—	—
End of year	287,600	3,873	17,246	165	304,846	4,038
Proved developed reserves:						
Beginning of year	120,563	1,386	4,128	52	124,691	1,438
End of year	210,137	1,635	12,306	120	222,443	1,755
Company's proportionate interest in reserves of companies accounted for by the equity method						
End of year	17,137	233	—	—	17,137	233

	FOR THE YEAR ENDED DECEMBER 31,1979					
	CANADA		UNITED STATES		TOTAL	
	OIL	GAS	OIL	GAS	OIL	GAS
Proved developed and undeveloped reserves:						
Beginning of year	125,961	1,901	2,344	25	128,305	1,926
Revisions of previous estimates	(3,717)	20	(1,166)	(6)	(4,883)	14
Improved recovery	2,488	—	—	—	2,488	—
Purchases of minerals-in-place	23,420	600	1,348	2	24,768	602
Extensions, discoveries and other additions	24,888	491	7,728	69	32,616	560
Production	(6,770)	(100)	(327)	(1)	(7,097)	(101)
Sales of minerals-in-place	—	—	—	—	—	—
End of year	166,270	2,912	9,927	89	176,197	3,001
Proved developed reserves:						
Beginning of year	105,725	1,130	2,344	25	108,069	1,155
End of year	120,563	1,386	4,128	52	124,691	1,438
Company's proportionate interest in reserves of companies accounted for by the equity method						
End of year	2,430	122	—	—	2,430	122

	FOR THE YEAR ENDED DECEMBER 31, 1978					
	CANADA		UNITED STATES		TOTAL	
	OIL	GAS	OIL	GAS	OIL	GAS
Proved developed and undeveloped reserves:						
Beginning of year	110,407	1,705	1,377	20	111,784	1,725
Revisions of previous estimates	(144)	(72)	271	—	127	(72)
Improved recovery	3,024	—	—	—	3,024	—
Purchases of minerals-in-place	—	14	372	—	372	14
Extensions, discoveries and other additions	17,067	328	496	6	17,563	334
Production	(4,393)	(61)	(172)	(1)	(4,565)	(62)
Sales of minerals-in-place	—	(13)	—	—	—	(13)
End of year	125,961	1,901	2,344	25	128,305	1,926
Proved developed reserves:						
Beginning of year	104,379	1,091	1,377	20	105,756	1,111
End of year	105,725	1,130	2,344	25	108,069	1,155
Company's proportionate interest in reserves of companies accounted for by the equity method						
End of year	—	—	—	—	—	—

ESTIMATED FUTURE NET REVENUES AND THE PRESENT VALUE THEREOF

Estimated future net revenues from estimated production of the Company's proved and proved developed oil and gas reserves and the present value of such estimated future net revenues as at December 31, 1980 and 1979 as determined by the Company's engineering staff are set forth below. In computing future net revenues, oil and gas prices used were equal to the actual year end prices with no provision for increased prices. Future expenditures for both developing and producing the proved reserves are included in the calculations based on costs incurred in 1980 for similar activities. In determining the present value of estimated future net revenues, an annual discount factor of 10% was applied. Assumptions for prices, costs and the discount factor are based on guidelines issued by the Securities and Exchange Commission (SEC).

Estimated future net revenues as at December 31, 1980

	CANADA		UNITED STATES		TOTAL	
	PROVED	PROVED DEVELOPED	PROVED	PROVED DEVELOPED	PROVED	PROVED DEVELOPED
			(In thousands of dollars)			
1981	$ 250,619	$ 178,731	$116,060	$ 88,035	$ 366,679	$ 266,766
1982	368,847	272,113	125,727	111,319	494,574	383,432
1983	441,013	309,730	118,975	96,166	559,988	405,896
Remainder	5,537,572	2,847,483	350,682	321,566	5,888,254	3,169,049
	$6,598,051	$3,608,057	$711,444	$617,086	$7,309,495	$4,225,143
Present Value	$3,074,713	$1,717,204	$507,168	$455,473	$3,581,881	$2,172,677

In the opinion of the Company's Management, present value as defined should not be construed as fair market value of the Company's oil and gas properties. Future prices and costs under present economic conditions are not anticipated to remain constant and the 10% discount factor is considered to be arbitrary.

In view of the above comments the Company presents an alternative value of estimated future net revenues as at December 31, 1980. This is based upon the Company's interpretation of the Canadian National Energy Program and the current state of pricing negotiations between the Federal and Provincial Governments, discounted at 10%, after allowing for an escalation of costs based upon expected inflation as follows:

Present Value	$8,935,000	$4,602,000	$507,168	$455,473	$9,442,168	$5,057,473

Estimated future net revenues as at December 31, 1979

	CANADA		UNITED STATES		TOTAL	
	PROVED	PROVED DEVELOPED	PROVED	PROVED DEVELOPED	PROVED	PROVED DEVELOPED
	(In thousands of dollars)					
1980	$ 10,396	$ 48,925	$ 8,125	$ 18,098	$ 18,521	$ 67,023
1981	190,401	118,048	24,490	21,472	214,891	139,520
1982	224,578	135,695	44,053	20,843	268,631	156,538
Remainder	3,500,198	1,886,825	203,601	88,132	3,703,799	1,974,957
	$3,925,573	$2,189,493	$280,269	$148,545	$4,205,842	$2,338,038
Present Value	$1,700,588	$ 999,095	$186,537	$102,829	$1,887,125	$1,101,924

RESERVE RECOGNITION ACCOUNTING (RRA)

The SEC has concluded that the traditional methods of accounting i.e. full cost or successful efforts, fail to provide sufficient information to disclose operating results of oil and gas producers. As a result of that conclusion, the SEC regulations require that the Company prepare supplemental information which reports oil and gas producing activities in accordance with a method of accounting called Reserve Recognition Accounting.

Under this method of accounting a value is ascribed to reserves of oil and gas at the time of discovery rather than at the time of production. Income is based on the present value of the estimated future net revenue stream. The RRA presentations are based on uniform assumptions to be applied by all oil and gas producers. Comparative amounts for 1979 have been restated from the amounts previously shown in the Company's 1979 Form 10-K.

SUMMARY OF OIL AND GAS PRODUCING ACTIVITIES ON THE BASIS OF RESERVE RECOGNITION ACCOUNTING YEARS ENDED DECEMBER 31, 1980 and 1979

	1980	1979
	(In thousands of dollars)	
Additions and revisions to estimated oil and gas reserves:		
New field discoveries and extensions	$432,438	$382,334
Revisions to reserves proved in prior years:		
Changes in prices	457,723	100,932
Interest factor-accretion of discount	188,713	93,493
Other	(202,174)	21,176
Total revisions to proved reserves	444,262	215,601
Total additions to proved reserves	876,700	597,935
Related exploration and development costs incurred:		
Acquisitions of unproved oil and gas properties	358,337	371,687
Exploration	430,551	180,904
Development	60,840	41,639
Change in deferred costs	(351,010)	(342,337)
Total related exploration and development costs	498,718	251,893
RRA income before income tax provision	377,982	346,042
Provision for income taxes	179,541	137,033
RRA net income, oil and gas	$198,441	$209,009
Consolidated net income, on the basis of RRA	$342,121	$280,709

CHANGES IN RESERVE RECOGNITION ACCOUNTING VALUATION OF PROVED OIL AND GAS RESERVES
YEARS ENDED DECEMBER 31, 1980 AND 1979

	1980	1979
	(In thousands of dollars)	
Balance - beginning of year	$1,887,125	$ 934,930
Revisions to reserves proved in prior years	444,262	215,601
New field discoveries and extensions	432,438	382,334
Purchases of reserves	963,064	400,121
Projected development costs incurred	182,521	124,918
Production, net lifting costs	(327,529)	(170,779)
Balance - end of year	$3,581,881	$1,887,125

MARKET PRICE OF COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

Dome Petroleum Limited's common stock is listed on the Toronto, Montreal, American and London Stock Exchanges. The Toronto and American Stock Exchanges are the principal markets in which the Company's common stock is traded. Quarterly price ranges of the Company's common stock in Canadian and United States dollars which traded during the periods indicated, as reported by the statistical department of The Toronto Stock Exchange, were as follows:

	1980 High	1980 Low	1979 High	1979 Low
The Toronto Stock Exchange (Canadian dollars)				
Quarters				
First	$84 1/2	$52 1/4	$34 3/4	$23 1/2
Second	87 3/4	60 1/2	52 3/8	30 1/4
Third	93 1/4	73 1/2	55 7/8	39 1/4
Fourth	85	57 3/4	54 7/8	42
American Stock Exchange (U.S. dollars)				
First	$73 1/2	$44 7/8	$29 3/4	$19 7/8
Second	76 1/4	50 3/4	44 5/8	26 1/8
Third	81 1/4	63 1/8	48	33
Fourth	73	48 1/2	48 3/8	35 1/2

The approximate number of registered holders of common stock as of March 7, 1981 was 15,500.

The declaration of dividends is restricted under certain preferred share provisions and under several debt instruments. At December 31, 1980 under the most restrictive provisions $271,620,000 was available for payment of dividends on common stock (December 31, 1979 -$188,392,000). The Company has not, however, paid dividends on its common stock since the Company's inception and there is no expectation to do so in the near future.

QUARTERLY FINANCIAL DATA

Data for the first three quarters of 1980 has been restated to reflect the change in accounting policy.See Note 11.

1980	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
	(In thousands of dollars, except per share amounts)				
Revenue	$260,036	$250,722	$283,190	$349,604	$1,143,552
Net income applicable to common shares	47,939	51,681	107,515	59,037	266,172
Per share	$1.08	$1.17	$2.43	$1.33	$6.01

1979	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
	(In thousands of dollars, except per share amounts)				
Revenue	$178,927	$154,697	$291,478	$320,364	$ 945,466
Net income applicable to common shares	25,422	23,307	60,880	64,223	173,832
Per share	$0.56	$0.53	$1.38	$1.43	$3.90

FIVE YEAR REVIEW

(DOLLAR AMOUNTS IN THOUSANDS EXCEPT PER SHARE FIGURES)

FINANCIAL	1980	1979	1978	1977	1976
Revenue (after royalties)	**1,143,552**	945,466	627,320	518,733	384,652
Cost of Product	**418,494**	328,118	292,117	254,261	212,977
Operating and General	**173,520**	184,763	94,124	74,473	44,956
Interest	**149,416**	111,296	46,514	29,446	18,068
Depreciation and Depletion	**83,610**	62,948	31,018	24,724	18,059
Preferred Share Dividends of a Subsidiary	**18,153**	22,871	2,147	—	—
Income Before Income Taxes	**300,359**	235,470	161,400	135,829	90,592
Provision for Income Taxes	**84,260**	95,880	47,467	33,779	36,021
Equity in Earnings of Affiliated Companies	**71,053**	42,121	11,199	2,235	683
Net Income for the Year	**287,152**	181,711	125,132	104,285	55,254
Average Shares Outstanding	**44,298,000**	44,624,000	44,856,000	44,925,000	46,006,000
Net Income Per Common Share	**6.01**	3.90	2.79	2.32	1.20
Cash Flow From Operations	**449,626**	323,395	198,741	163,535	110,186
Long Term Obligations	**3,148,925**	1,837,789	797,122	520,466	372,391
Capital Expenditures*					
Exploration and Property Acquisitions	**661,929**	580,561	233,808	161,790	48,108
Development	**243,361**	166,557	69,542	15,500	26,857
Plants, Pipelines, Related Facilities and Other Assets	**121,074**	34,359	72,534	129,160	39,618
Drillships and Supply Vessels	**33,040**	78,258	10,917	15,490	93,559
Total Capital Expenditures**	**1,059,404**	859,735	386,801	321,940	208,142
Total Assets	**5,078,734**	3,130,493	1,713,370	1,197,743	875,674
OPERATING					
Gross Production - Daily Average					
Oil, Gas Liquids and Oil Equivalent of Gas - Barrels	**128,056**	90,940	65,657	51,756	45,600
Oil and Gas Liquids - Barrels	**71,812**	51,802	43,846	33,487	30,130
Gas Production - MMCF	**343.8**	275.8	164.3	147.8	143.1
Gross Reserves***					
Estimated Recoverable Reserves of Oil, Natural Gas Liquids and Oil Equivalent of Gas - Millions of Barrels	**1010.4**	665.9	379.9	332.0	307.6
Land Holdings - Acres					
Gross Working Interest	**70,514,000**	66,938,000	42,150,000	42,475,000	43,173,000
Net Working Interest	**31,557,000**	35,906,000	21,235,000	20,670,000	22,529,000
Gross Royalty Interest	**34,112,000**	31,660,000	26,789,000	29,823,000	26,570,000

See page 25 for Management's discussion and analysis of the Company's Financial Condition and Results of Operations for 1980, 1979 and 1978.

* Includes investment in Panarctic Oils Ltd.

** Exclusive of acquisitions

*** Excludes the Company's interest in heavy oil reserves at Hughenden and the Athabasca Oil Sands in Alberta, substantial gas reserves in the Canadian Arctic Islands and major oil and/or gas discoveries in the Beaufort Sea.

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Winnipeg, Manitoba
Investment Consultant

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Toronto, Ontario
Partner, Fasken & Calvin

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Calgary, Alberta
Chairman

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Partner, Bennett Jones

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Honorary Chairman
Shearson, Loeb Rhoades, Inc.

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Investment Manager

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Chief Executive, Dome Mines Limited

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ROBERT R. ANDREWS,
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DEAN P. GEDDES,
Vice President, Administration

ROBERT W. GILLANDERS,
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Vice President,
Beaufort Sea
Production Operations

PETER VAN ALTENA,
Vice President, Exploration

ANDREW H. YOUNGER,
Vice President, NGL

VICTOR J. ZALESCHUK,
Vice President and Controller

HENRY T. ASTLE,
Treasurer

HARRY M. EISENHAUER,
Secretary

FORM 10-K

Copies of the Annual Report on Form 10-K filed with the Securities and Exchange Commission of the United States are available free of charge by writing to the Corporate Secretary of the Company.

DOME PETROLEUM LIMITED 1980 ANNUAL REPORT

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